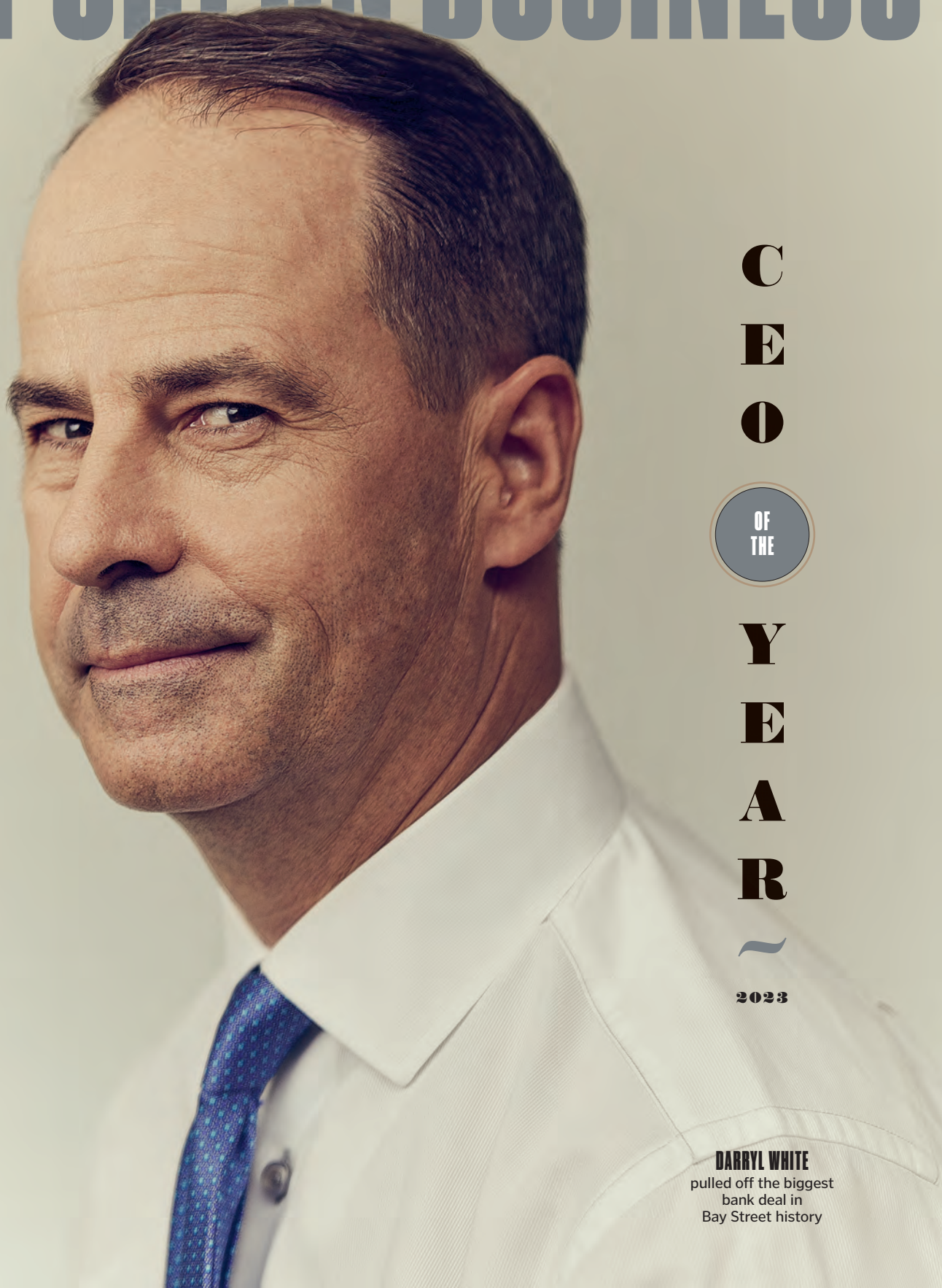


REPORT ON BUSINESS



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2023

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bank deal in
Bay Street history

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Managing a dividend fund gets tougher if interest rates rise, so Manulife's Prakash Chaudhari searches for other bargains, too

64 TURNING POINT

Food Banks Canada CEO Kirstin Beardsley gets emotional when she talks about the affordability crisis. The demand for her services keeps growing

23 CEO OF THE YEAR

We choose top performers in five different areas—strategy, innovation, corporate citizenship, global vision and the best of the newcomers. But each of the CEOs is a multifaceted leader who knows how to process input from many sources and guide their organization boldly into the future. /By Jason Kirby, John Daly, Joe Castaldo, Sean Silcoff and James Bradshaw

50 GIVE ME PAPER OR GIVE ME DEATH

The legal industry used to doggedly resist change, but now lawyers are racing to adopt new technology or be left behind.

/By Simon Lewsen

PLUS A selection of winners from our exclusive listing of Canada's Best Law Firms

▲ Hopper CEO Fred Lalonde still thinks way outside the box
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Two steps back

When it comes to women in leadership, sometimes it feels like for every step forward we take, we take two steps back.

In April 2021, Rania Llewellyn appeared on the cover of our Women Lead Here issue with the line: “Underestimate me. That’ll be fun”—the words emblazoned on the sweatshirt she wore for her interview with reporter Joanna Pachner. Half a year earlier, after two decades climbing the ladder at Scotiabank, Llewellyn was appointed CEO of Laurentian Bank, making her the first woman to run a Canadian-owned bank. Laurentian, she told Pachner, was at a “critical juncture” in its 175-year history, losing market share and woefully behind technologically.

Llewellyn was handed the CEO role after the board gave her predecessor two weeks’ notice. “In a sector characterized by orderly leadership transitions,” Pachner wrote, “that’s almost equivalent to being marched out the door by security.”

That line is particularly striking now, given what happened to Llewellyn in early October. In the midst of her three-year turnaround plan, the board put the bank

up for sale but failed to find a buyer. Then there was a five-day service outage that enraged customers. Pretty much no one expected Llewellyn to be chucked. But almost exactly three years after taking over, the board announced she was being replaced immediately by Éric Provost—who admitted he’d only been approached about the CEO gig the previous night.

Was Laurentian a mess? Absolutely. “But here’s an equally fair question: Does Ms. Llewellyn deserve to be out of a job?” That’s the question posed by ROB’s Tim Kiladze following her ouster. “Countless male CEOs have dealt with similar blows, if not worse, and they don’t leave like this. If anything, they might stick around, then get heralded for their resilience.”

As Kiladze pointed out, Llewellyn faced a classic glass-cliff scenario: Women “are more likely to get hired when organizations are in trouble or at risk, and are therefore thrust into a risky and precarious position.” In other words, they’re set up to fail—and given none of the grace afforded to male execs.

And so Canada bid farewell to yet another high-profile female leader. Llewellyn isn’t the only one we’ve lost this year—which brings us to our CEO of the Year issue. In 2022, three of our five honourees—including overall winner Barbara Zvan, who runs the climate-forward University Pension Plan—were women. Alas, two of those CEOs are now gone. Sophie Brochu left Hydro-Québec in April after less than three years, in part over disagreements with Quebec Premier François Legault’s energy policy. And in August, Ann Fandozzi of RB Auctions was abruptly replaced after the company claimed she’d resigned over a compensation dispute. Fandozzi, well, disputed that.

These losses feel all the more brutal given how few female CEOs we have in Canada. Just 5% of our publicly traded companies have a woman at the helm. So it’s not much of a surprise that four out of five of our 2023 CEOs of the Year are men.

Don’t get me wrong: We’ve put together an outstanding list of winners, including Tracy Robinson, whose appearance here has nothing to do with her gender and everything to do with the fact that she’s killing it at troubled CN Rail. But next year, I’d sure love to have more women at the top of Canada’s largest corporations to choose from.

/Dawn Calleja

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New kid on the block

Many of the comments on our profile of new Scotiabank CEO Scott Thomson focused on his, uh, hard-edged predecessor.

I worked for BNS for 28 years, ending as a VP in 2018, when I was packaged off. The leadership prior to Brian Porter used the word collaboration foundationally; Porter decided it was a bad thing. Hopefully, Thomson can achieve some improvement to the culture Porter worked so hard to destroy. —**martinm1**

Of the three banks I've invested in, BNS is the only one in the red based on asset value. Yet, I'm intrigued with their international exposure, and the dividend has kept me invested. The new lead dog may bring the satisfaction we're looking for. —**Powder pig 13**

Lucky for Thomson, Porter set the bar so low he can't help but surpass it. I'm still astonished his reign was allowed

to drag on for so long. Here's hoping Thomson's leadership skills are as good as presented here. —**mft3**

I have owned Scotia shares and have been punished for my aspirations. Message for Scott Thomson: Improve the customer service and technology—a lot. —**njensen155**

For the love of god, I hope Scotia senior leadership are reading this comment section. —**ACN3**

High flight

We got the inside story on Michael Deluce's vision for Porter Airlines.

Respect to Porter and, importantly, its shareholders. They've escaped the staid, risk-averse culture that

permeates Canadian businesses. Go big or go home; no risk, no reward. They needed to shift the strategy. Jury's still out on the business model. —**millef1**

Being an Air Canada shareholder but unable to afford their short-haul flight costs, I flew Porter for the first time. A very pleasant experience. Better aircraft, better service and, I dare say, better managed. —**BBB**

Porter setting up at the airport in St. Hubert is a genius decision and the right place to be in this market. Welcome to the South Shore. —**Rocheda**

Well developed

An activist turned developer? Daniels CEO Mitchell Cohen inspired readers.

Mitchell is a sincere, values-based CEO who has done wonderful things for his communities and for the industry. I wish there were more leaders like him. —**Calvin Brown1**



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HEAVY META

"Repeated violations may result in disciplinary action, up to and including a performance rating drop and, ultimately, termination..." —Meta's head of people, Lori Goler, announcing managers would review badge swipes and other tools to enforce a three-day-a-week in-office requirement



12/23

NEW RULES

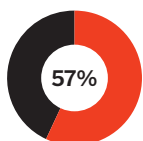
I'll be watching you

There's a battle of wills unfolding at work. On one side: bosses who want employees back in the office—and are determined to make it happen by any means necessary, including monitoring badge swipes (hello, Big Tech!). On the other: workers who are refusing to get sucked back into full-time commutes.

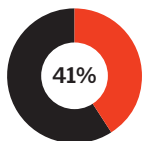
BIG BROTHER

96%

of respondents to a mid-March survey commissioned by ResumeBuilder.com said they use some form of employee monitoring software to ensure that their staff stays productive



Portion of companies that are tracking attendance, according to a survey by real-estate services company CBRE

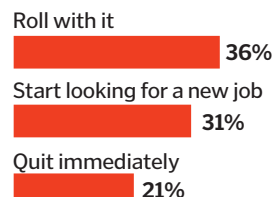


Portion that are doing so through badge swipes, sensors or location data from laptops



DEAL BREAKERS

Angus Reid asked employees what they'd do if they were ordered back to the office full time



SIGNED & SEALED

20,000

Amazon employees who signed a petition urging it to rethink its back-to-office mandate

THE NEW LINGO

Coffee Badging

The act of going into the office for a morning coffee, showing your face and then going home to work for the rest of the day

58%

of respondents to Owl Labs' survey admitted engaging in coffee badging

USE A CARROT, NOT A STICK

Office perks most valued by employees



46%
free coffee



45%
mandatory work breaks



45%
free food



43%
gym memberships



42%
access to a lounge



36%
bringing pets to work



THE EXCHANGE

Legal eagle

Norton Rose Fulbright litigator Jennifer Teskey is about to become the first woman managing partner at a national law firm in Canada, at a time when AI is reshaping the industry, more clients are pushing a shift away from billable hours, and work-from-home is changing how young lawyers are trained

BY TREVOR COLE

It took just 20 years for Jennifer Teskey to rise from junior lawyer to managing partner at one of the top corporate law firms in the country. That'd be an impressive rise for anybody. But for a woman to grab the top spot at the second-biggest firm of its kind, in a country where women are under-represented at the partner level, is remarkable. On Jan. 1, she'll take over a firm of roughly 700 lawyers whose clients have recently included RBC, Pfizer, TransAlta Corp. and CN Rail. The Canadian branch of a huge global entity, Norton Rose Fulbright is not only the top firm in Canada representing the company side in activist shareholder campaigns; it's near the top for the activist side, as well. That's pretty unusual, and it shows what a complex organism Teskey will lead, at a time when demand for corporate legal services is growing. We met in NRF's Bay Street offices.

Congratulations. How many other women in Canada can say they're managing partner at a big firm like this?

Well, nationally speaking, truly national firms, there aren't other female managing partners.

How does it feel, being the first?

It's extremely exciting. And I have to say, the response I've received from women, people of diverse backgrounds, not just nationally but from North America, has been really moving.

When you were announced, your chairman, Walied Soliman—
[She glances at her Apple Watch.]

He's calling me as we speak! So just let me cancel that.

He said you have an inspiring vision for the future. What is your inspiring vision?

Three things. The first is continuing on the incredible momentum the firm is experiencing. The second is leveraging our client relationships and developing true partnerships. It's table

stakes that we deliver good legal advice, but a true partnership with a client is much deeper.

It involves partnering on things like diversity, equity and inclusion, something this firm is really strong at. The third thing is our talent agenda, being laser focused on our people, and what it looks and feels like.

What's the story behind your achievement—who did you crush to get to the top?

Well, Trevor, I'm very pleased to say there was no crushing going on. To give you a bit of a window into how law firms can operate, it's not uncommon to have contested elections and to have even campaigning within a law firm for the managing partner role. Our current managing partner, Charles Hurdon, has brought this firm together in a way that is incredibly powerful. When he made the decision to step out of the role after three terms, there was discussion among the partners, and a

very touching, unique thing happened: There was general alignment that it made sense for me to step into the role.

What changes for you now?

I know you're a litigator.

You can't just flick a switch and stop everything all at once. I have very deep client relationships. My focus is the management of the firm, but my practice will continue, albeit in a different way. Obviously I'm relied on as a strategic adviser for many of our clients, and that will continue. I'm blessed to have an incredible team to assist me.

Let's turn to the world of law.

The first question is AI. How's that impacting your field?

It's still early days. We are focused on better understanding the use cases. There's the back-office side of it—HR, finance and all manner of service delivery within the firm. Then there's the practice side, and we're reviewing tools such as e-discovery—layering in AI to pre-existing databases of documents, and being able to get early working drafts of, for example, examination for discovery scripts. That type of AI is still at its infancy.

The famous case (1) of the lawyers who used AI to build a brief—

The issue in that circumstance was that there was no review as to whether these were legitimate cases. The diligence after the fact is a critical piece of the puzzle. As a firm, we are not using AI for the preparation of briefs at this stage.

Is the ultimate goal in using AI to save money?

No.

What is the benefit?

The real advantage to AI, as we see it, is enriching the discussion much earlier. It's about leveraging and being able to aggregate knowledge in a much quicker, more focused way, so that you can advance the dialogue, and thereby the advice that you're delivering, in a more sophisticated way. For the business side, you can use

AI to have more sophisticated conversations around pricing, around internal functions.

In your firm's annual trends survey, the No. 1 litigation area for clients is employment and labour. Has that always been the case?

It's been reasonably consistent, yes. And certainly within the pandemic, it certainly featured very, very prominently.

Do economic factors impact which areas of law surface to the top?

As economies soften, inevitably, you may see more employment and labour-type disputes. You see an uptick in insolvency-type disputes. Mainstay corporate commercial litigation, however, tends to be quite constant.

I looked back a few years in the survey, and one area that didn't appear until recently is cyber security. How important is that now? (2)

Hugely important. I'm going to hazard a guess that, if you ask boards of directors what keeps them up at night, cyber risk is absolutely top of the list. The risk of breach the vast majority of people would reasonably say it's not a matter of if but when. So cyber preparedness is incredibly important. It is not the kind of thing you want to be dealing with in the throes of an actual event.

What's the role of outside counsel when there's a cyber breach?

Communication is hugely important with regulators. Other

issues could be triggered from a public disclosure perspective, so there's a securities component.

Corporations could face class-action litigation by virtue of the breach of personal information. So, it's a multiphased approach to properly advising corporations around cyber preparedness and risk.

Is Canada behind or ahead of the curve in any aspect of corporate law?

It's fair to say that the CSA's (3) approach on board diversity—we've been a leader. You're beginning to see greater diversity on boards, as well as within management teams. But there is still a lot of work to do.

The number of female and male lawyers at the lower levels is roughly the same, but in upper management, there are three times more men. So how—

How does that reconcile? For many years now, the entry percentages into law schools have been slightly higher for women than men. At the time people are brought in as first-year associates, it's at least 50-50. Inevitably, over the five- to eight-year associate range, there has been attrition in the female ranks. And it's not a coincidence that that tends to be when women are having families. That is why having a real focus on support for women when they are going on maternity leave and coming back from maternity leave, for example, is crucial. Being encouraged to map a plan as to how to advance and to join the partnership is, very frankly, something law firms have not been particularly good at.

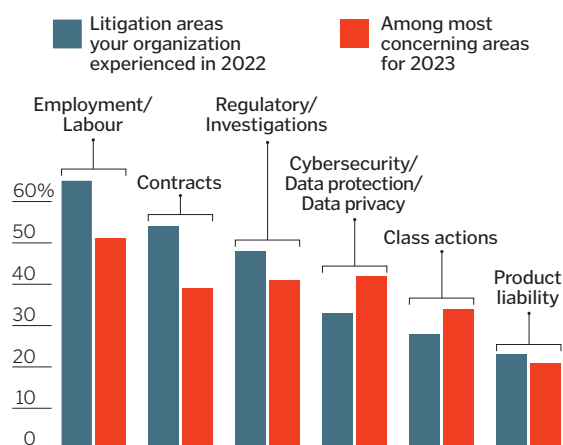
What about other forms of diversity? There was a piece in *The Globe* about five years ago by a woman of colour who found it very difficult to fit in at a Bay Street firm. Has anything changed?

I think for many, many decades, Bay Street law has not been inclusive—whether it's women or people of colour—and has not embraced the notion of diversity. If you don't have diversity, you

1. This past June, two New York lawyers were fined for submitting a legal brief generated by ChatGPT, which included six fictitious cases the judge described as "bogus judicial decisions with bogus quotes and bogus internal citations."



MAJOR LITIGATION TRENDS
(NOV. 2022)





don't have diversity of thought. And what our clients want is diversity of thought. That enriches the way you deliver client service, it enriches client interactions, and it simply is a true reflection of society.

Back to your trends survey. When asked whether they expected lawsuits to increase in the coming year, Canadians were much more likely to say yes. (4) Are we becoming more litigious?

I think it's fair to say we are. There is an influence from the United States, which is obviously more litigious than Canada. And with the proliferation of class actions, for example, you're seeing an uptick in disputes.

How has the firm been affected by the work-from-home trend?

Back in 2018, we already had a contingent of our team working remotely a certain number of days a week. When the pandemic hit, we were uniquely situated to, more or less, flick a switch to move our whole business to work-from-home. It's still an agile workplace. As a business, we stay very close to our people to understand what they'd like to see, as well as what we believe, as a business, we need in terms of building things like culture. **(5) Law is unique in its mentoring of young lawyers. How does work-from-home affect that?**

Mentorship and sponsorship is still alive and well in the hybrid environment. Just the other day, an associate expressed to me how useful she felt an online interaction was with one of our partners. They were editing a document online, and she was getting real-time feedback. To her mind, that was the single

most influential moment in terms of learning how to craft a pleading. So we need to be very open-minded as to how mentoring actually looks. It can be delivered in a variety of ways. **Law is also known for demanding long hours from junior lawyers.**

What friction does that create with younger employees who increasingly seek work-life balance?

There is no doubt that the practice of law involves some very significant demands, in terms of time and focus. However, having a life and other interests is entirely feasible. Our hybrid culture helps to facilitate that, as well. Expectations are high in terms of the practice side. But it's possible to have balance.

Let's talk about money. We're dealing with an inflationary environment. Are your costs rising?

I think everyone's costs, to a degree, are increasing. Um...

This is a difficult question?

No, I just—the costs of the business tend to be pretty steady. There's no doubt we have inflationary pressures.

Are your fees rising with inflation?

Fees do rise to keep pace with inflation. But again, in terms of order of magnitude, it's all pretty steady.

I gather there's a push to move away from billable hours.

Clients come to us regularly, and we go to clients regularly, to talk about alternative fee arrangements, or AFAs. That has been a part of our conversation with clients for many years.

What's driving that change?

People like cost certainty. That's true on both sides. But

it's situationally dependent. In the early days, if a client is just kicking the tires at something, that may be a situation where the billable hour makes a lot of sense. When a client has more certainty around the nature of the ask, that is when AFAs can make sense.

What's an example of an AFA?

The most common is a fixed-fee arrangement. So, X transaction, Y dollars. Results-oriented AFAs are different. They involve premiums or reductions if something is unsuccessful.

Is there anything about working with outside legal counsel that clients tend to get wrong?

If you have a true partner, you should be looking to them as a business adviser. It's not enough to have someone simply telling you what the law says, or what it permits you to do or not. It really comes down to, "If you were in my shoes, external counsel, what would you do?" It's that piece that I think some external counsel can also forget about sometimes.

Looking back over your career, which case taught you the most?

The first case I took to the superior court, I was faced with opposing counsel who was 20 or 25 years my senior. I was a first-year lawyer, and I thought, *This person already has all this knowledge. How am I going to be able to challenge this case?*

One of my partners, Orestes Pasparakis, took me aside, and we had a discussion around being expert in your case—that ultimately that is what will carry the day. I'm pleased to report that I was successful in that particular motion. Quite literally my first day in the courtroom, I learned that it comes down to substance. It comes down to knowledge. And sure—confidence doesn't hurt.

This interview has been edited and condensed.

Trevor Cole is the author of five books, including the novel Practical Jean, which won the Stephen Leacock Medal for Humour.

3. Canadian Securities Administrators, the umbrella organization of the country's provincial securities regulators.

4. NRF's 2023 survey found that 55% of Canadian clients expected lawsuits to increase, compared to 42% of U.S. clients.

5. NRF's "Ways of Working" policy encourages its firm members to be in the office two to three days per week.

540,000 TONNES

Amount of gift wrap and bags Canadians pitch each year, according to Greenpeace. That's roughly 4.5 CN Towers



12/23



BIG IDEA

Raw deal

Public-private partnerships have only worsened the delays and cost overruns that plague government megaprojects, leaving some jurisdictions seeking a better model

Seen from the clarifying distance of a decade, the hyped-up promises weren't just cringeworthy but so far off the mark as to be mere guesswork.

In the early 2010s, when Infrastructure Ontario (IO) and Metrolinx, two provincial agencies, embarked on a historic public-private partnership (P3) to build the 26-kilometre Eglinton Crosstown LRT in Toronto, officials promised to spend about \$8.2 billion and finish the massive undertaking by 2020. "Over the last six years, IO has done 52 projects worth about \$21 billion," the Liberal cabinet minister in charge of IO boasted at the time. "Virtually every one has been on time, under budget."

Reality, however, bit, and bit hard. The Crosstown, which is being built by a consortium of globe-trotting engineering giants, is more than \$4 billion over budget and has blown through repeated proj-

ect deadlines. Untold millions have been wasted on legal battles between the consortium, its own members and the province. Metrolinx officials, in turn, have been reduced to calling press conferences to announce they have no news about when the line will actually open.

Once upon a time, government agencies built infrastructure themselves, with design and construction departments overseeing everything from bridges to subways to schools. Of course, these bureaucracies hired private contractors to carry out the different pieces of big projects, but the overall planning, management and ownership remained with the public sector.

By the early 1990s, however, debt-laden governments began leaning into neo-liberal policies of all flavours—including outsourcing large works projects. The private sector was seen to be far more adept at managing risk and innovating than hide-bound state bureaucracies, and the consortia that built these projects would face financial penalties for running late.

While large institutional funds clamoured for reliable revenue-generating infrastructure assets, the case for P3s got a further boost from Danish geographer Bent Flyvbjerg, a professor at the University of Oxford's Saïd Business School. His groundbreaking research on public sector megaprojects showed they often failed to meet early political promises about cost and timing, which tended to be overly optimistic so as to secure public approval.

The categories of P3-worthy projects expanded steadily to include highways, hospitals, court houses, airport terminals and colleges. They came in all permutations: design-build, design-build-finance, design-build-operate-and-maintain and so on. Governments, eager to move big-dollar ventures off their balance sheets, established agencies to tender and manage P3s, and then eventually required P3s to become the default approach. "P3s became the only game in town," says Matti Siemiatycki, director of the Infrastructure Institute at the University of Toronto, where he is a professor of geography and planning.

But three decades on, it's become increasingly difficult to argue for the infallibility of the market when it comes to building complex public projects. A 2020 study commissioned by the Residential and Civil Construction Alliance of Ontario (RCCAO) concluded that the per-kilometre cost of rapid transit projects in the Greater Toronto Area has continued to skyrocket, despite the use of the P3 model favoured by IO and Metrolinx. The city's latest conventionally built subway, the Toronto-York Spadina Subway Extension, cost \$384 million per kilometre (in 2019 inflation-adjusted dollars) and was completed in just eight years. All the subsequent subway projects in the GTA, which used the P3 model, are nowhere close to being finished and will cost almost twice as much per kilometre.



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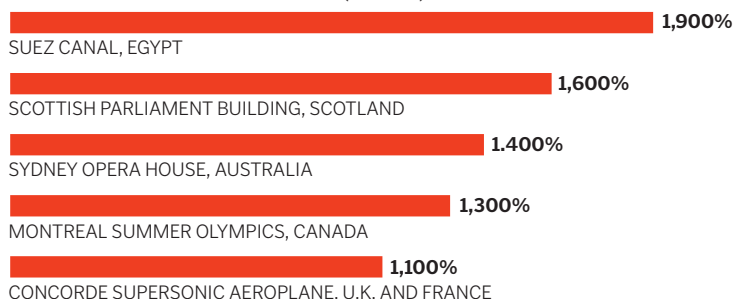


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ESTIMATED REQUIRED SPENDING ON INFRASTRUCTURE BY 2030 TO ENABLE
THE ANTICIPATED LEVELS OF GDP GROWTH GLOBALLY

And this isn't a local problem. Many other large-scale public-private ventures have been dogged by delays and eye-watering overruns, including the Crossrail subway in London, the Samuel De Champlain Bridge in Montreal and California's epically delayed high-speed rail scheme.

The assumption that the private sector can always do a better job ignores a host of X factors—such as permitting delays, labour disruptions, geological surprises and inconveniently located older public infrastructure—which generate additional costs that are completely beyond the control of the P3 investors, experts say.

"There are all these other interfaces that need to be dealt with," says Eric Goldwyn, a program director at New York University's Marron Institute of Urban Management and a clinical assistant professor in transportation and land use. "If there's geological risk or permitting risk or act-of-God risk, no private entity can shoulder that burden, right? It's not reasonable or fair."

What's more, big projects often suffer from mission creep, and the commercial interests of P3 consortium members may be far less aligned with politicians than it seemed during the halcyon moments of the obligatory ribbon-cutting. Goldwyn cites the case of Maryland's Purple Line, a 25-kilometre LRT project, in which the P3 partner quit three years in because of conflicts over cost overruns, mid-stream changes in environmental regulations, and use of a freight rail corridor. "There's nothing that the private sector can do to insulate itself from those kinds of challenges," he says.

The fact that these giant P3s involve so much risk has prompted agencies like IO to significantly overpay, as Ontario's auditor-general found in 2014. Large institutional fund or asset managers are much more interested in buying existing infrastructure than investing in new-build ventures, Siemiatycki says, adding that many P3 deals in Canada are simply too small to interest big pension funds. As the

number of bidders have dwindled, agencies that commission P3s face a narrower range of options when awarding a contract.

Italy has partly figured out how to mitigate the risks involved with large P3s, by ensuring that the projects are overseen by dedicated public agencies with the expertise to manage such complex ventures, says Marco Chitti, an urban planner and post-doctoral researcher at NYU. "They have very strong in-house engineering departments, which helped avoid this kind of thing where you just out-source to a chain of consultants," he says.

Another approach: the way the Quebec government structured a deal to build a new commuter rail service, REM, connecting Montreal to the south and north shores, as well as the more remote ends of the island. The \$7.95-billion project, initially announced in 2016, will grow to include three other lines extending 67 kilometres. CDPQ Infra, a subsidiary of Quebec's pension plan, is building and operating the network, the first leg of which opened this past summer. CDPQ retains fare revenues and enjoys a legal right to develop real estate along the line to both boost ridership and offset capital costs, which have risen by 26% from 2018 cost estimates.

In other forward-looking jurisdictions, officials overseeing these megaprojects have sought to take a collaborative, problem-solving approach, as opposed to the highly legalistic and fundamentally transactional deals that characterized first- and second-wave P3s. "What they've learned is that the deal structure alone is not powerful enough, when things really go wrong, to avoid negative outcomes," says Siemiatycki.

This so-called "alliance model" has been used in British Columbia for a hospital development project being built by Infrastructure BC, and it seems to be the way the federal government is thinking about the long-bruited high-speed rail service linking Windsor and Quebec City, he adds.

It wouldn't be the first time governments rebranded P3s. The federal Liberals and the former Ontario Liberal government used the term "alternative financing and procurement," although the activity is basically the same. Siemiatycki acknowledges that it's too soon to say whether new thinking will yield better results: "Does the word 'alliance' just replace the word partnership? Or is this something that's a more meaningful transition?"

Despite their huge size, multibillion-dollar infrastructure projects still turn on the people, and whether relationships between the various public and private entities is healthy or combative, Siemiatycki stresses. The result—late, acrimonious and over-budget or on-time and lovely—is determined not by "the relationship on the first day, where everyone shakes hand and puts the novelty shovels in the ground," he says. "It's what happens when things really start to go wrong, which they invariably will on big projects."

/John Lorinc



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7-WORD BOOK REVIEW

The Fund: Ray Dalio, Bridgewater Associates, and the Unraveling of a Wall Street Legend by Rob Copeland

Radical transparency? More like backstabbing and paranoia

12/23

WHAT YOU CAN LEARN FROM...

Chris Hadfield

Canada's favourite astronaut has been perched at the top of the pyramid for his entire career. Even after giving up his wings, he's still up there—Hadfield's first novel, the space-based spy thriller *The Apollo Murders*, was a bestseller, and his new follow-up, *The Defector*, looks to be a hit as well.

/Dawn Calleja

1 Look up, way up

Hadfield started dreaming of space on July 20, 1969, when he watched Neil Armstrong walk on the moon. At the time, NASA only accepted American candidates, but that didn't deter young Chris. As he wrote in his memoir, *An Astronaut's Guide to Life on Earth*: "I had to imagine what an astronaut might do if he were nine years old, then do the exact same thing. Would an astronaut eat his vegetables or have potato chips instead? Sleep in late or get up early to read a book?" That single-mindedness took him from gliders to fighter jets to the International Space Station, and even to the top of the bestseller list.



2 BRING YOUR EGO

In his 1979 masterwork *The Right Stuff*, Tom Wolfe describes the pilot's ego as "so big, it's breathtaking!" How else to believe—no, to know with absolute certainty—that you're capable of pushing yourself and a multimillion-dollar machine to the limit, and being willing to risk death to prove it? The general rule is that the faster and more dangerous the machine, the bigger the ego—and Hadfield made it to test pilot, the most envelope-pushing pilot gig there is. Then he got chosen as an astronaut, joining the 0.000007% of humans who've orbited the Earth. The man's got swagger, and he brings it to everything he does, whether he's flying or writing historical thrillers.

3 Work the problem

When you're hurtling through the air at Mach 1.5 or orbiting the Earth at Mach 22, there's zero margin for error, and even less for panic. Elite flyers are trained to calmly work a problem, which Hadfield describes as NASA-speak for "methodically looking for a solution until you run out of oxygen"—or, better yet, solve it. But overcoming your body's natural fight-or-flight response only comes with relentless preparation. When fire alarms blared Hadfield and his crewmates awake on the ISS, he writes, "I doubt anyone's heart rate increased by more than a beat or two"—clearheadedness borne from knowing in your bones you're capable of dealing with anything.

AIM TO BE A ZERO

One of Hadfield's key maxims goes like this: Minus-one personality types actively create problems. Zeroes are neutral—"You're competent enough not to create problems or make more work for everyone else." A plus-one, adds value to any situation. This is, of course, the sweet spot. But the key is not to brag about it (only a minus-one would do so). Just be quietly capable; it won't go unnoticed.

5 Choose the right co-pilot

Hadfield describes his wife of 40-plus years, Helene, as a "highly driven, take-charge overachiever." (Who says opposites attract?) Nobody gets to the tip-top of the pyramid—be it in business or flying—without an "intimidatingly capable" partner backing you up. Hadfield knows it and credits Helene—openly and often—with getting him there.



ASK AN EXPERT

An employee changed their pronouns to "they/them." How can I avoid missteps?

Habits are hard to break, and pronouns are no exception. "Especially if you knew someone when they used different pronouns, you're going to make mistakes—and I promise they're used to it," says Schuyler Bailar, trans educator, advocate and author of *He/She/They: How We Talk About Gender and Why It Matters*. More important than accidentally misspeaking is how you react. "A lot of well-intentioned people—which I'd argue is most people—are so afraid of saying the wrong thing that they say nothing," he says. Others will overreact, apologize profusely and make the moment about themselves. Instead, just correct yourself and move along. But how can you not misspeak to begin with? Bailar offers up a tactile way to retrain your brain: "Get out a pen and paper, and write three or five sentences about this person using their correct pronouns." You'll soon find semantics are simple. More difficult—and more important—is building an inclusive space where correcting (or being corrected) is no biggie. "You don't need to ask everyone for their pronouns, but I'd encourage you to say yours," says Bailar. This small move has a big impact, giving people the option to share, or not, while showing staff you think and care about gender and inclusivity—even if your execution isn't always perfect. /Rosemary Counter

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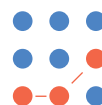
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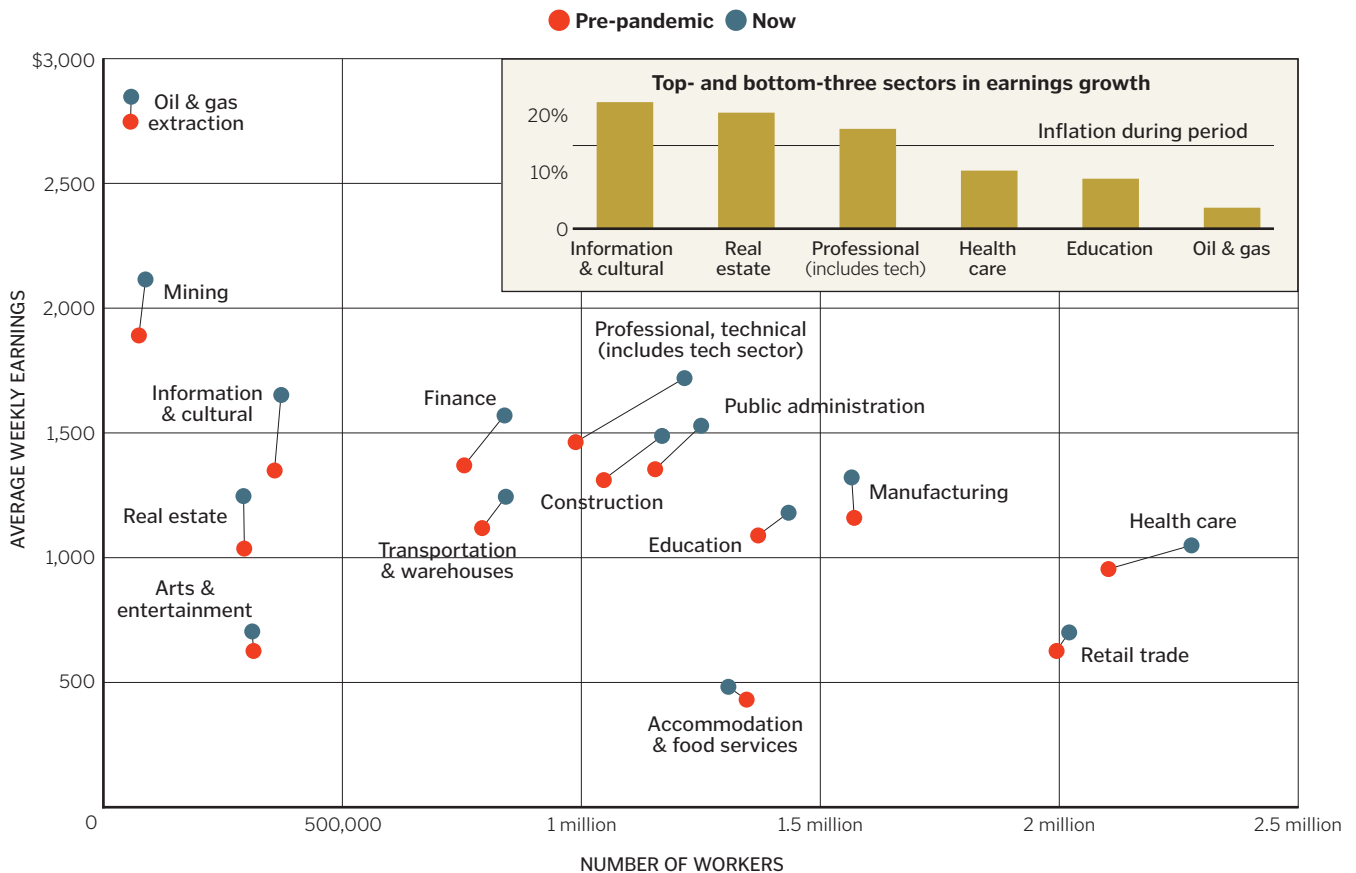
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WOMEN TECH
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U.S.\$73,932
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\$129,657HOW JOBS AND WAGES HAVE CHANGED SINCE THE PANDEMIC
6-month averages of payroll data

DECODER

PAY DIRT

When you power down the global economy and reboot it months later, you're going to break a few things. As we draw closer to marking four years since the first reported COVID-19 case, it's worth looking at the winners and losers of the pandemic and the wildly uneven recovery in the job market.

Some sectors have been clear beneficiaries of the disruption, both in terms of the number of new jobs, as well as how much they get paid. The surge in e-commerce during the pandemic and massive inflows of venture capital into the tech sector sparked a hiring binge that—despite all the headlines of carnage in the tech sector today now that the tech bubble has burst—has left employment well ahead of where it was before COVID hit. The professional, scientific and technical services sector, which includes many tech workers, is larger by nearly a quarter, and paycheques have grown faster than most other sectors, too. The top earnings winner, the information and cultural sector, is also heavy with tech workers.

In fact, the painful bite of high inflation over the past two years has meant that only four of the sectors shown on the chart actually increased their earnings enough to come out ahead, though construction, manufacturing and public administration (government workers) came closest to keeping pace with soaring consumer prices.

Near the other end of the spectrum, health care and social assistance workers, as well as those in the education sector, have failed to keep pace with inflation, even if the pandemic brought on a surge of hiring in the health care space. The earnings of accommodation and restaurant service workers also fell in inflation-adjusted terms in a sector hit hard by lockdowns. No other industry saw employment shrink as much as hotels and restaurants.

This is a snapshot of two moments in time, but with the economy teetering on the edge of a slowdown, a recession would bring a whole new wave of disruption to the job market. And the pain would not be felt evenly.

/Jason Kirby

Q&A: Zahid Salman



GreenShield CEO Zahid Salman reflects on five years at the helm of the country's only national not-for-profit health care payer-provider, his relentless pursuit to champion better health for all and what business leaders should consider as they look to grow in today's climate.

Five years ago, you joined GreenShield as its president and chief executive officer. What attracted you to the company?

What first intrigued me about GreenShield is still my driving force today: the company's unique position as a not-for-profit social enterprise. Essentially, all earnings – in excess of what's required to operate the business – are reinvested to advance our social mission of "Better Health for All." When I joined, other benefits companies were diversifying into financial services to drive profitable growth. I saw an opportunity to double down on GreenShield's roots in health equity and build a purpose-led strategic plan.

My 30-year career, as both an actuary and a leader in the health benefits space, primed me to analyze the market with a unique lens. The health and benefits needs of Canadians were evolving. I knew

there was an opportunity to look at the industry differently; to reimagine the health and benefits experience.

What changes have taken place at GreenShield since you joined? What are you most proud of?

When I joined the company, GreenShield was a health and dental benefits company facing financial headwinds, while the industry experienced margin pressures that hindered profitable growth.

We knew that one in five Canadians didn't have a family doctor and there was growing demand for mental health support. On top of that, health and benefits are notoriously hard to navigate. It was clear there is a need for innovative, digital health services in Canada.

The vision was to diversify into digital health services and build an integrated health and benefits experience around Canadians. After nearly

65 years without a single acquisition, we made eight strategic acquisitions in two years, all geared towards revolutionizing the health and benefits experience for Canadians. This put coverage and care all in one place so Canadians could spend less time trying to navigate their health and benefits and more time taking care of their health.

Over the past five years, gross revenues have surged 60 per cent, operating margin has more than quintupled and the number of Canadians we serve has increased 50 per cent to six million. As a result, our social impact investments have also quintupled, with GreenShield Cares committing to invest \$75-million to positively impact at least one million Canadians by 2025.

Insurance is not always known for being innovative or revolutionary, yet those are descriptors you use when talking about GreenShield.

The benefits industry is ripe for transformation. We've witnessed tremendous technological developments that impact our daily lives. People are increasingly digital-first, meaning they turn to their smartphones or computers to manage most aspects of their lives. We expect convenience, seamless integration, easy navigation and a customer-focused user experience. Health and benefits should not be the exception. We created something to directly address this need – GreenShield+ – a digital health and benefits ecosystem that brings our payer-provider model to life. As a 'payer,' we offer insurance, administer benefits and pay claims. As a 'provider,' we deliver a variety of health care services such as mental health, telemedicine and pharmacy.

GreenShield+ combines all our offerings in a single digital platform, with unprecedented levels of integration between health services and benefits plans, where users can

check their coverage, access their benefits, connect with health care providers and get reimbursed for their claims. This integration demonstrates that we can provide more comprehensive care and streamline end-to-end solutions. Simply put, what we're doing for the industry and for Canadians is revolutionary.

Why is it meaningful to be Canada's only national not-for-profit health and benefits company?

Giving back isn't what we do, it's who we are. Through GreenShield Cares, we reinvest our earnings and self-fund the deployment of our wholly owned health services to support underserved and marginalized communities, with a focus on oral health, mental health and essential medicines.

We are grounded in our commitment to health equity, community well-being and the potential to make a significant impact on the health care landscape in the country. Since 2016, we've committed over \$20-million to oral health research and clinics. Since 2021, we've provided free mental health support to over 75,000 women. And, just this year, we launched our Essential Medicines program, offering free medications to the one million Canadians without coverage.

As we look to the future, our goal is to Create Shared Value, bringing the organization's social impact and business strategies together as one.

As a leader in the space, what parting thoughts can you share with peers and those growing their careers in today's setting?

We are hardwired to resist change. But change is what brings progress. This industry, often resistant to change, is a testament to the transformative power of pushing boundaries while staying grounded. After all, change is the only constant. ■



SMART MONEY

PRAKASH CHAUDHARISENIOR PORTFOLIO MANAGER AND CO-HEAD OF THE ESSENTIAL EQUITY TEAM
MANULIFE INVESTMENT MANAGEMENT

Prakash Chaudhari takes an unconventional approach when running his dividend fund. He's an active buyer and seller of small- to large-cap securities, so his fund differs from the benchmark index. He can hold up to 20% in cash. He has no limit on owning non-dividend payers, although at least 51% of the assets must be in Canadian stocks. This opportunistic game plan has helped his \$1.6-billion Manulife Dividend Income Plus Fund outpace the S&P/TSX Composite Total Return Index since he took the reins in 2012. We asked Chaudhari, 48, how he navigates high interest rates that have hurt many dividend stocks, and why he owns Google's parent company, Alphabet.

Until 2018, your fund was known as Manulife Canadian Focused Fund. Has the strategy changed?

No, it's the same. We look for high-quality companies that have a competitive advantage, use limited leverage and have highly capable management teams. We see our portfolio as a conglomerate with divisions that are publicly listed companies. Our investments are diversified across industries to protect against capital loss, and we buy attractively valued stocks. The only difference is that about 63% of the fund has been in dividend securities over the past five years, versus about 48% in the previous five years under the old name.

How are you playing the dividend space given that rising interest rates have hurt many stocks with payouts?

It helps that we don't exclusively seek out dividend stocks. Higher interest rates cause a problem when you have a lot of debt. By owning companies with limited leverage, it doesn't have as great an impact. Higher rates are the result of central banks tackling inflation, so we also look for companies with pricing power. They can pass along any inflation-related increase in their costs to their customers. Constellation Software, which we own, can do that because its products are mission-critical to customers.

Your top industry sector weighting is financials. What names do you find attractive?

We like companies that can take market share from competitors, and develop new products and services at a lower cost because they have scale. We own Brookfield, a Canadian investment firm focused on areas like infrastructure, power and real estate. Another is [Warren Buffett's] Berkshire Hathaway, which is a collection of businesses. One

division is Geico, which has a dominant share in property and casualty insurance, as well as auto. It's a big driver of profitability for Berkshire.

Why is information technology a top weighting, too?

We like these tech companies because they are capital light—that is, they don't have to invest in assets like plants and equipment. In this sector, we own Microsoft, whose business includes its suite of Office software, its Windows operating system for computers and Azure data centres. It's a software company at heart and is very profitable.

Alphabet, which does not pay a dividend, is a major holding. Why is it compelling?

We like it because Alphabet has limited leverage, high return on invested capital and strong tailwinds that we believe will allow it to grow its profits for years. Its Google subsidiary, which drives the bulk of Alphabet's profit, has the dominant market share in search engines, so that attracts advertisers and drives its revenue. Alphabet has the option to pay a dividend but instead uses that cash to reinvest in its other revenue-generating businesses, such as data centres and its artificial intelligence capability. But it's not unreasonable to expect it will pay a dividend in the future, just like Apple did eventually. Alphabet can do so because it has had cash to buy back its shares for the past five years.

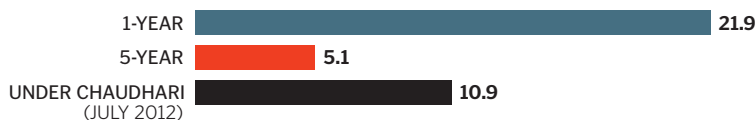
High-yielding telecom giant BCE is a top holding.

Why do you like it even though its stock has struggled since early last year?

BCE is a profitable company that is growing its business. It's investing further in broadband services, while management is working hard to reduce costs. It also produces a lot of cash. If we judge the value of a company to be higher than its stock price, it's an attractive opportunity.

/Shirley Won

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An enthusiastic congratulations to Canada's top five CEOs for 2023: José Boisjoli, Frederic Lalonde, Connor Teskey, Tracy Robinson, and our very own Darryl White. BMO celebrates your passionate dedication to vision, leadership, and culture.

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2023



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MONTREAL

JOSÉ BOISJOLI
BRP INC.

TRACY ROBINSON
CN RAILWAY

FRED LALONDE
HOPPER

CONNOR TESKEY
BROOKFIELD
RENEWABLES

A

As we get ready to close the books on yet another harrowing year (will the world ever return to some sense of sanity?), it can be difficult to focus on the positives. Which is why it's a perfect time to bestow outstanding-achievement awards on five Canadian chief executives, chosen after plenty of heated debate between editors and reporters from across *The Globe and Mail*. As we do each year, we also chose one overall winner. Spoiler alert: It's Bank of Montreal's Darryl White, whose US\$16-billion takeover of Bank of the West is the biggest bank deal in Bay Street history.

photographs **by** DANIEL EHRENWORTH



THE STRATEGIST

DARRYL WHITE
BANK OF MONTREAL

When our overall CEO of the Year took over in 2017, he promised to vastly grow the U.S. business. This year, White made good on that promise, pulling off the biggest bank deal in Bay Street history and making BMO the fourth-largest commercial bank on the continent

by **JASON KIRBY**

W

Weary after two nights of restless sleep, Darryl White stared at the latest batch of numbers on his computer screen, stunned by what he saw. *Oh my god*, he thought. *Has something gone colossally wrong?*

It was Sunday night of the Labour Day long weekend, and over the previous 60 hours, the CEO of Bank of Montreal had been fixated on a finely choreographed operation playing out across 24 U.S. states: the conversion of 1.8 million customer accounts and more than 500 branches from Bank of the West to BMO. The massive undertaking wasn't just the culmination of a plan White put in motion in late 2021, when he announced the US\$16.3-billion takeover of the California-based bank—the largest ever acquisition by a Canadian bank—but also the realization of a vision he'd laid out years earlier to build on BMO's aspirations south of the border.

Now, as White stared at his screen, the bank's early-warning





systems tracking online mentions of “BMO”—and which had been reassuringly quiet since the conversion began Friday night—spiked off the charts, a potential red flag that could indicate angry Bank of the West customers flooding social media to complain.

The team overseeing the conversion had tried to anticipate every potential snag that might arise over the three-day, four-night campaign. While White monitored the operation from BMO’s home turf, Erminia (Ernie) Johansson, the bank’s group head of North American personal and business banking, chief technology and operations office Steve Tennyson, and their team were stationed in a “war room” just outside Chicago, overseeing a battalion of 3,000 employees and contractors carrying out the switch. Everything had been planned down to the minute. The bank had conducted three mock trials and one full dress rehearsal ahead of the long-weekend project, known internally as CD1 (conversion day one). Yet in the war room, they, too, saw a surge in “BMO” chatter.

It quickly became clear that the spike wasn’t a sign of an unfolding mess at BMO, but of Messi mania instead. Lionel Messi, soccer’s biggest star, was at that moment making his Los Angeles debut with Inter Miami, playing at the newly renamed BMO Stadium and lighting up local social media. White had snagged the naming rights to LAFC’s home field just two days after regulators signed off on the Bank of the West deal in January—a reported 10-year, US\$100-million deal that White and Johansson celebrated on the field, under the shadow of club co-owner Magic Johnson.

Now, the deal was paying off. “Mentions of BMO were off the charts,” says White. “We got a lot of free advertising from Messi.”

As for the conversion itself, all signs point to a remarkably smooth transition. It’s not hard to find the occasional online post from a Bank of the West customer unhappy with the changeover—but that would be the case in any deal this size. A social media sentiment analysis conducted by RBC Capital Markets during the conversion found the increase in negative posts related to BMO and Bank of the West “was lower than historical levels and insignificantly low relative to the entire acquired customer base.”

To call the deal transformative is an understatement. Overnight, it catapulted BMO into the top 10 largest diversified banks in the U.S. when measured by consolidated assets, a group that includes just one other Canadian lender, TD Bank. But no other Canadian bank can match BMO’s U.S. footprint—White notes it’s now the fourth-largest commercial bank on the continent, and has far more branches in key markets like California that it can use to attract deposits, and sell additional products

and services at a time when the banking sector is feeling the pinch of high interest rates. “The value of a banking franchise stems from its deposits, and what the Bank of the West platform does is it gives BMO more might on the deposit and retail side from day one,” says Ebrahim Poonawala, a Bank of America Securities analyst.

At the same time, White’s strategy for accelerating growth at BMO has brought sweeping changes to other parts of the bank—a heightened focus on efficiency, a much stronger presence in Canadian retail banking and a stark reassessment of disparate business lines—that helped make everything that’s unfolded over the past year and a half possible.

Investors and analysts have taken note. BMO has the highest share of “buy” ratings from analysts who follow the Big Five banks, and the stock has outperformed its peers over the past three years. Last year, BMO’s market capitalization quietly surpassed Scotiabank for the first time since 2001 to make it Canada’s third largest bank.

“Darryl is very strategic in terms of doing M&A transactions, but that’s a narrow definition of strategic,” says BMO’s former chair, Robert Prichard, who, as a shareholder, has continued to watch White’s performance closely since retiring in 2020. “Where he’s really shown strategic thinking was in lining up the operations, lining up the regulatory relations and getting everything ready for when this opportunity showed up.”

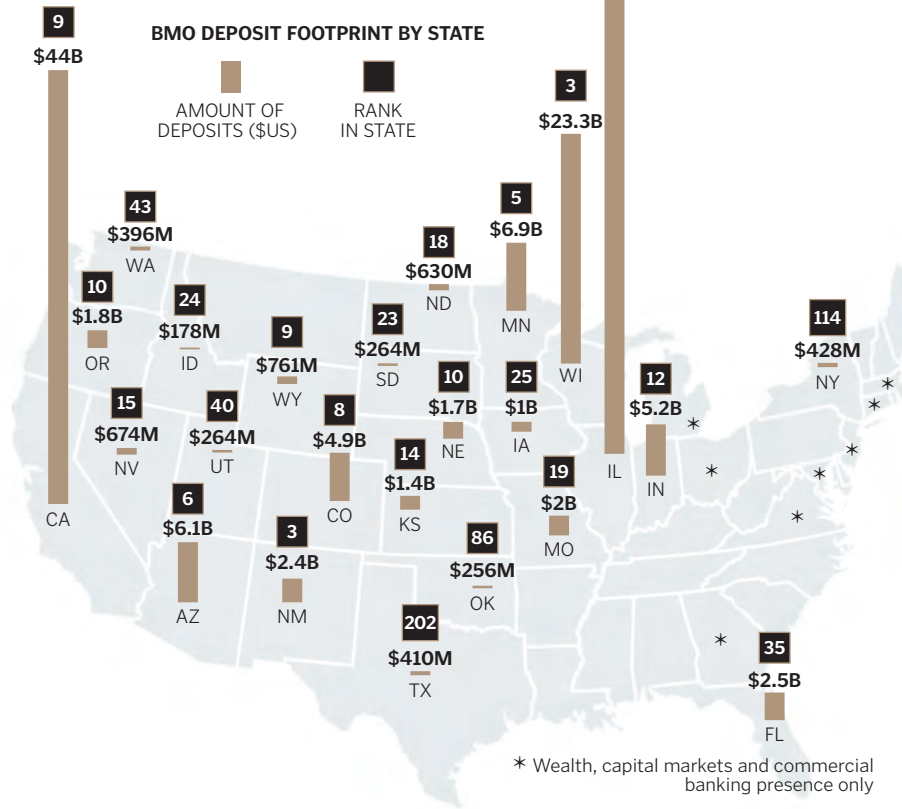


On a bright Tuesday afternoon in October, sunlight bathed nearly every corner of BMO Place, a brightly designed “future-ready” office space the bank opened earlier this year in Toronto’s Eaton Centre. The four-storey, open-concept spot once held Sears Canada’s flagship store before its bankruptcy. When White and BMO’s real estate team first scouted it in 2017, with the intention of using the space to centralize employees scattered around the city—“forced collision,” White calls it—the dusty offices were still draped in abandoned clothing stock.

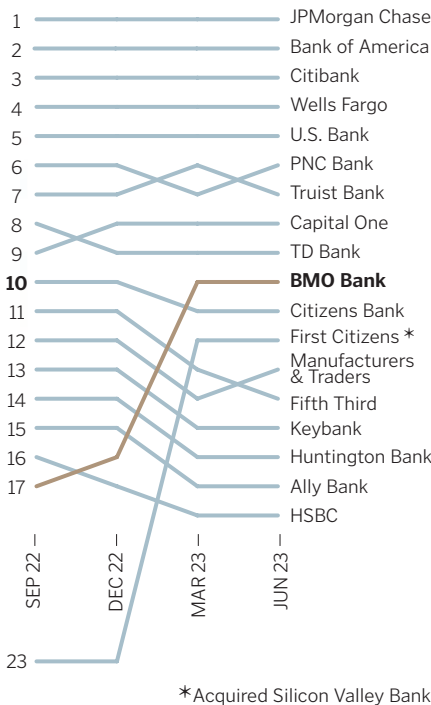
After an extensive renovation that wrapped every floor in towering windows and carved through several storeys of concrete to create a skylit atrium, the place is packed with employees. “They’re not here by mandate,” White says with a toothy grin, a nod to the difficulties so many companies are having luring remote-happy workers back to the office. (For the record, BMO doesn’t have a bank-wide return-to-work policy, but White says occupancy levels are close to 2019 levels, “other than Fridays.”)

White—a Montrealer who joined BMO as an investment banking analyst in 1994, after graduating from Western’s Ivey School of Business with a commerce degree—gets it. As a 52-year-old married father of three teenagers, White says he tries to pursue a balance between work and life. His first day as CEO—Nov. 1, 2017—happened to land on a day when one of his kids had a school event. “Without hesitation I said I had to be there, whereas you

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could easily fill three days into your first day on this job,” he says. “The other things go away. I have my job, I have my family, and otherwise I’m pretty boring.”

White inherited a bank from Bill Downe that was in good shape but lagging in critical ways. It trailed rivals in domestic retail banking growth and was regarded as the least efficient of the big banks at turning a dollar of costs into a dollar of revenue. And despite its early foray into the U.S. with the 1984 acquisition of Chicago-based Harris Bank and Downe’s purchase in 2010 of troubled Wisconsin lender Marshall & Ilsley, the U.S. business was underwhelming.

White, an outspoken advocate for strengthening Canada’s trade relationship with the U.S., brought a vision to the corner office of vastly growing its U.S. operations so that it was the same size and quality as its Canadian business, and advancing BMO’s goal of a fully integrated North American bank.

The plan to achieve that came together over the course of 2019, and a key part of it was making room on the balance sheet to finance future acquisitions south of the border. BMO sold its asset management business in Europe, the Middle East and Africa, and unloaded its private banking operations in Asia. It also wound down its reinsurance business and its energy book outside of North America. The capital on BMO’s balance sheet, like those of its Canadian rivals, also swelled during the pandemic after the Office of the Superintendent of Financial Institutions temporarily forbade banks from raising their dividends or buying back shares.

Meanwhile, the bank set about improving the efficiency of its existing operations, investing heavily in technology as part of a “digital-first” and “light-branch” strategy that, among other things, allowed BMO to reach new U.S. customers even in areas where it didn’t have a physical presence. Coupled with a cost-cutting drive that saw it trim roughly 5% of its workforce in 2019, BMO improved its efficiency ratio, a measure of expenses to revenues, putting it more in line with its peers.

White has also streamlined the senior ranks, trimming its executive committee from 18 when he took over to 11, with group heads of the retail, commercial, wealth management and capital markets lines each responsible for their divisions on both sides of the border. That structure has been “a real differentiator for the retail business in particular because it allows us to truly punch above our weight,” says Johansson, adding that tools and ideas that work in one country have been more easily transported to the other.

By 2021, the bank was in a strong position to pounce if a U.S. takeover opportunity arose.

T

The list of potential targets for BMO was shorter than you might expect, given America’s universe of more than 5,000 banks. But the vast majority were too small to make an impact on BMO’s bottom line. Bank of the West was different, with US\$56 billion in loans and nearly US\$90 billion in deposits. Its branches didn’t overlap with BMO’s existing U.S. footprint, and the two banks’ commercial and retail divisions were set up along similar lines. What’s more, since Bank of the West was owned by French banking giant BNP Paribas, which was distracted by its own problems in Europe, the California lender hadn’t received the attention and investment dollars it needed.

When BNP put its U.S. unit on the market, which was reportedly expected to fetch at least US\$15 billion, BMO trumped other bidders at US\$16.3 billion, 1.5 times Bank of the West’s tangible book value. It was a higher multiple than BMO paid for Marshall & Ilsley, but lower than other more recent Canadian bank deals. RBC paid a multiple of 2.5 times book value to buy HSBC’s Canadian unit in November 2022, and TD offered more than two times book value in its abandoned bid for Tennessee-based First Horizon.

Even knowing what he knows now about the slowing economy and falling bank valuations, White has no qualms about what he paid. “Would I do it again? I would do it every day of the week and twice on Sundays, because in five and 10 years from now, I’m convinced anyone would say this was a fundamentally important transaction to set the strategic agenda on the continental play that we’ve got,” he says, adding that “price assumes a certain confidence level on your execution.”

A key step was to actually get the deal approved by regulators at a time when President Joe Biden has pushed for greater scrutiny of bank mergers. BMO had already done much of the heavy lifting to make sure its relations with regulators were strong, says Prichard. And executives met with hundreds of community leaders, including in a public hearing set up by regulators. As part of the deal, BMO eventually signed a nationwide US\$40-billion community benefits plan—increasingly common in U.S. bank mergers—to boost lending to households and businesses, and increase home ownership in low- to moderate-income neighbourhoods and communities of colour, among other measures. BMO also promised not to close branches or lay off front-line staff, which analysts say could make it harder for it to find cost savings.

Though the regulatory process dragged on slightly longer than expected, the deal got approval in January, and the takeover was finalized the following month. The U.S. now accounts

for roughly 45% of BMO's earnings, up from around 27% in 2017—which means that five years after taking over, White has nearly made good on his goal of growing the U.S. business to the size of the Canadian one.

That's not to say that goal is all-consuming. When White announced the deal internally in late 2021, he acknowledged it would be both transformative and closely watched. But he stressed that Bank of the West would account for just 15% of BMO and that the bank's future depended on not neglecting the other 85%. "We're going to walk and chew gum at the same time," he recalls saying in a comically understated idiom for what the bank was setting out to do.

And so, while it worked to absorb Bank of the West, BMO continued to duke it out in the trench war of Canadian retail banking, fighting for incremental basis-point gains in market share. As the bank with the smallest domestic branch footprint of the Big Five, it was a long-standing battle. But BMO's investments in technology and mobile banking had helped even the playing field, as had a boost to its front-line sales force. The result, as White pointed out in September, is that in 11 of the prior 13 quarters, BMO has posted the fastest retail banking revenue growth among its peers.

In October, BMO got further confirmation that its retail strategy is paying off. Every year since 2006, J.D. Power has surveyed bank customers to gauge satisfaction. The J.D. Power award is a big deal in Bay Street's corner offices, giving banks both bragging and marketing rights. For 17 years, only RBC and TD had alternately won the coveted top spot in the big-bank category. This year, BMO took it for the first time.

“W

"We made it—BMO has arrived," says BMO Guy, the bank's pitchman for the past four years, as he and his trademark blue desk emerge on an airport baggage carousel in a new U.S. ad. After BMO Guy wins over skeptical passengers—"Just what we needed, another big bank" grumbles one—a driver holding a sign featuring the bank's three-letter logo calls out, "Uh, Bee Em Oh?" BMO Guy corrects him: "Just Bee-Mo, actually."

The pronunciation lesson is a reminder that despite BMO's omnipresence in Canada and its strength in certain midwestern U.S. markets, it's still largely an unknown entity in the U.S.

The introduction is unfolding ahead of expectations, says Johannson, who notes someone living in California or Colorado in October was exposed to BMO's brand campaign at least every other day, either through digital ads or billboards (or while watching Messi trounce LAFC 3-1 at BMO Stadium). Just two weeks into the campaign, BMO had seen awareness of its brand more than double in those markets, she says.

Other trends bode well for the integration. Branch productivity at Bank of the West locations was up 20% even before the Labour Day conversion. Customers are responding well to its no-fee access to 42,000 ATMs and to its digital banking app. On the commercial side, the bank has seen hundreds of new accounts opened. "There was a bit of a sleepy-bank phenomenon that's now getting fuelled and a customer base that is excited," says Johannson.

Still, the shock from rate hikes have made White's job harder, and he's forthright about what's coming. "We're going to see the effect of that roll through the economy as we go through the next four, six or eight quarters," he says. "We haven't seen the effect yet, and now we do see that coming." He doesn't believe a recession is on the horizon but warns growth next year will likely be limited to 0.5% to 1%. "I don't think that's a catastrophe, but we have to be grounded in the fact that's the slowest rate of GDP growth we've had since 1991, other than during the global financial crisis and a very short COVID recession," he says. "We'll live in that environment, and we have to help our customers get through that."

The impact is already being felt. BMO's earnings have fallen short of expectations of late, and after five straight years of positive operating leverage, it turned negative this year. (Operating leverage is the degree to which a company can increase its operating income by increasing revenue.) "I did not like having to tell shareholders in the second quarter that we would not go six for six," says White, who says he believes that cost and revenue synergies from the Bank of the West acquisition, along with cost-cutting measures and other initiatives undertaken this year, will result in efficiency and operating leverage improving again in 2024.

Will BMO have to launch another round of cuts to meet its targets? White doesn't think so. "I never say never, but I'm very fixated on the balance between that short-run imperative and the longer run," he says. "You ask yourself at which point you're cutting muscle. I want to make sure we've got lots of muscle, because the sun will come out, and when it does, we want to press our advantage. We don't want to be caught flat-footed."

Poonawala at Bank of America Securities says this was always going to be a transition year for BMO. He generally views Canadian banks as a dicey proposition, given the earnings pressures they face as consumers grapple with high interest rates, and he has a hold rating on BMO. But if White can get the integration done seamlessly in the next two to five years, it'll be a big win for the bank and reinforce its CEO's credibility with investors, which Poonawala says is already strong. "A lot of folks, myself included, hold RBC management in high regard, but Darryl is right there," he says. "When you look at BMO's stock, they don't get the same credit, but I think if he executes on some of these things over the next couple of years, that will close. I cover 40 banks across North America, and he's probably one of the best CEOs there is."

For his part, White agrees that the results of everything BMO has done will become clearer over the next two years. "People should and obviously will test us—are we really getting the outcomes, are the customers still there, are we growing the customer base, are we getting the integration and the fly wheel with the rest of the business?" he says. "We are not spiking the football on this yet, but I can tell you, early days, the execution is exceeding our expectations."



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THE GLOBAL VISIONARY

JOSÉ BOISJOLI
BRP INC.

Bombardier spun off Ski-Doo maker BRP in 2003. Since then, Boisjoli has grown the company almost fivefold—it's now nearly as big as its old parent—and it sells its recreational machines in 130 countries. Then COVID-19 hit, but somehow the business got even bigger

by **JOHN DALY**



Even the best CEOs often stick close to one point on a spectrum. There are the finance whizzes, who concentrate on ratios and balance sheets. The product specialists, who are obsessed with the design and operating performance of their companies' offerings. And the gregarious sales and marketing types who know how to get employees, dealers, customers and just about anyone in between pumped up.

Spend a few hours with BRP Inc. CEO José Boisjoli in the company's hometown of Valcourt, Que., where Joseph-Armand Bombardier started manufacturing and selling snowmobiles in 1937, and you realize that Boisjoli covers all

those bases—and more. BRP is the acronym for Bombardier Recreational Products, the venerable maker of Ski-Doods and Sea-Doods that global transportation giant Bombardier Inc. sold off in 2003 to concentrate on its then huge plane and train manufacturing businesses, and the year it put Boisjoli in charge of its offspring.

But there's been quite a reversal of fortunes since then. Bombardier has sold off much of its operations, and its 2022 revenue of \$11.1 billion was less than half of what it was in 2004, the year after it sold BRP. By contrast, BRP's revenue surged by 31% for its 2023 fiscal year ended this past Jan. 31 and cracked \$10 billion—almost as much as its old parent, and 4.6 times greater than its first year.

At BRP headquarters in Valcourt, the corporate Boisjoli, a wiry and animated 66-year-old dressed in a stylishly skinny blue suit and open-necked dress shirt, starts in the boardroom. He wants to give an investor-style slide presentation of highlights from BRP's first 20 years. The two-storey red brick and concrete building was Bombardier's first manufacturing plant in the 1940s. Boisjoli points to a corner office that belonged to Joseph-Armand. "I didn't want to take it," he says with a smile. "Too much pressure."

The highlights are impressive indeed. There's the growth in revenue, earnings, total employees (up to about 23,000 from 7,500) and BRP's stock market capitalization since it went public in 2013 (up 8.5 times at the end of BRP's fiscal second quarter this year). It started with two product lines, snowmobiles and personal watercraft (Ski-Doods and Sea-Doods), and has added six more: pontoon boats, fishing boats, three-wheelers, all-terrain vehicles and side-by-side vehicles. Brands include Lynx snowmobiles, Can-Am On-Road and Off-Road vehicles, Rotax engines made in Austria, Manitou pontoons and Quintrex, Australia's leading aluminum boat maker.

But Boisjoli, who's an engineer, is also a powersports enthusiast, and he waxes lyrically about weekends spent tearing around the countryside on motorized vehicles in the summer or winter with fellow aficionados. "Saturday night, you talk about what happened during the day—it was too hot, too cold, we hit water. There is a story around the experience," he says. "I think at BRP we have done a very good job going from selling the nuts and bolts to selling the experience."

That attachment is a powerful force that transcends borders. In 2003, BRP already sold vehicles in 70 countries, although Boisjoli says it was mainly North America and a bit of Europe. The company is now up to more than 130, through about 3,000 dealers. The United States and Canada still account for the biggest share, but a quarter of all sales are



now overseas and growing fast. And the company has 14 plants in Canada, the U.S., Austria, Finland, Mexico, Australia and Germany.

There certainly have been daunting challenges over the past two decades—the 2008-09 financial crisis and the COVID-19 pandemic, in particular. But Boisjoli and his team made some deft choices to get through them. Their passion for powersports has been a big factor, too.

“The business side? There’s a ton of CEOs who get that,” says Rob Strauss, who’s run Rob’s Performance Motorsports in Johnson Creek, Wis., about halfway between Milwaukee and the state capital of Madison, since 1982. He first met Boisjoli at the annual World Championship Snowmobile Derby in northern Wisconsin in 1998, when Boisjoli was head of Ski-Doo and Sea-Doo for Bombardier. Today, Strauss says, Boisjoli still has a “sweaty-palms performance enthusiasm” for powersports and an almost unerring long-term vision.

“Without that vision, the past 20 years could have been quite different,” Strauss says. And one of the biggest tests for Boisjoli and BRP came right at the beginning.



One night in April 2003, Boisjoli was asked to stay after 5 p.m. at Bombardier’s headquarters in Montreal. Executives told him they’d decided to put the recreational products division up for sale, and he was to go to Valcourt the next day and explain that to the 2,000 employees at the historic Bombardier plant and offices there. They also told him to stick to a script of financial jargon they provided.

“I was in shock, because nobody was expecting this,” says Boisjoli. Things did not start well at the local hockey arena the next day (BRP owns that arena, as well as a golf course, billiards hall, swimming pool and other community facilities). “There was no reaction. It was like talking to a wall,” he says. So, Boisjoli went off-script and declared that it was “an opportunity to prove to the world that we can be successful by ourselves.”

That August, a sale was announced. BRP fetched \$1.23 billion, with the new company 50% owned by Boston-based private equity giant Bain Capital, 35% by the Beaudoin-Bombardier family (Joseph-Armand’s descendants) and 15% by the Caisse de dépôt et placement du Québec.

The first official day of business for BRP was Dec. 18, 2003, and Boisjoli moved fast. In 2004, he relocated the headquarters to Valcourt from a Montreal suburb. “When people are closer to the operation, they make better decisions than on the 15th floor in a city,” he says.

Valcourt is also a convenient destination for executives and factory employees. About an hour-and-a-half’s drive east of Montreal, the town is

less than 45 minutes away from Drummondville (where Boisjoli and his family live), Sherbrooke, Bromont and Granby.

There’s a feeling and focus in the air, as well. BRP’s engineering centre, plus a design and innovation centre, are next to its head office. The company’s sprawling factory complex in the middle of town, where it makes snowmobiles seven months a year and the three-wheeled Can-Am Spyder roadster (two wheels in the front, one in the back) for five months, is a five-minute drive south. “I’m not tempted to go there every day, but I go often,” says Boisjoli.

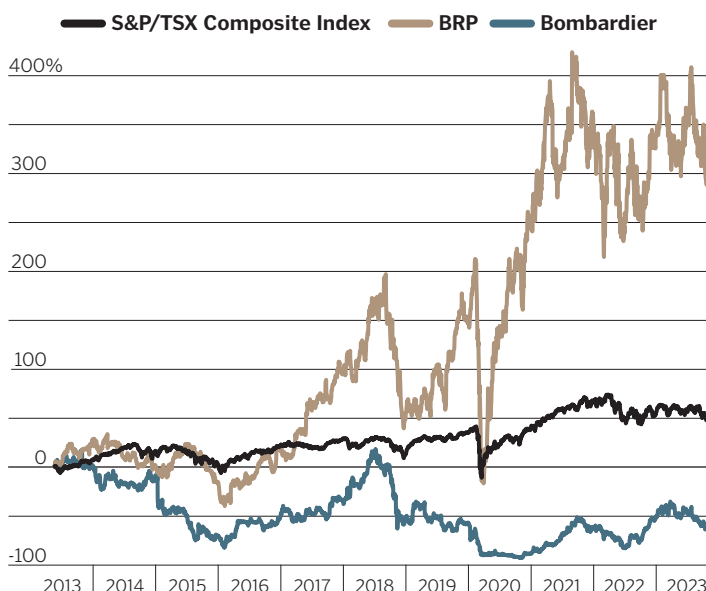
Joseph-Armand’s original factory on the site is still a sliver in the new facility, with historic black-and-white photos in large windows that overlook today’s assembly lines. Just north of the factory is the Museum of Ingenuity J. Armand Bombardier, owned by a family foundation. On the site is the original garage in which he developed snowmobiles, now converted to an exhibit space. In total, about 4,000 people work for BRP in Valcourt in a town with a population of only about 2,000.

Like many people in rural areas, Boisjoli grew up with a love of powersports. He was born on a farm in Wickham, Que., south of Drummondville. “I had my first snowmobile at 10 and my first motocross at 14.” He earned an engineering degree at the University of Sherbrooke in 1982 and joined Bombardier in 1989.

After relocating BRP back to Valcourt, Boisjoli moved to diversify its product line, dealer network and manufacturing footprint. All-terrain vehicles (ATVs), which the company had produced since the 1990s, were a logical choice, and in 2006, BRP resurrected the Can-Am brand (used for motocross from 1973 to 1987) and affixed it to its line of ATVs. Larger, two-passenger side-by-side utility terrain vehicles (UTVs) also made sense, and BRP entered that market in 2010 with the Can-Am Commander.

But even after the return to Valcourt, he moved much of BRP’s manufacturing to low-cost Mexico—the ATVs in particular. The company opened its first plant in Juárez in 2007, and now has three there and one in Querétaro. Benoit Poirier, an analyst with Desjardins Securities in Montreal, says 75% of BRP’s throughput is now assembled in Mexico.

BRP SOARS ABOVE THE REST
% CHANGE SINCE MAY 2013





Throughout its first decade, BRP also continued to develop the revolutionary REV chassis for Ski-Doo, introduced in 2003, which moved the steering column closer to the front of the vehicle, creating a whole new riding experience.

The steady stream of new products reflected Boisjoli's belief in continuing to invest in research and development, even through tough times like the financial crisis. In total, BRP has spent approximately \$3.4 billion on R&D through its 20-year history.

For its first 10 years, BRP was a private company with Bain as its largest shareholder. PE firms sometimes have a reputation for being tough guys—moving in, encouraging managers to slash costs and then trying to exit at a profit within three to seven years. But the Bain-BRP relationship is now 20 years old, and it's an almost textbook case of how a PE firm can help strengthen a company.

BRP director Joshua Bekenstein was a co-founder of Bain in 1984, a managing director and was named co-chair in 2016. He stepped down at the end of 2022 and says he's now "transitioning out" as a senior adviser. He helped arrange two substantial Bain investments in Quebec: BRP and Dollarama Inc. (in 2004). He still sits on both boards. In BRP's case, "we didn't have a 20-year plan when we invested," Bekenstein says. "But this is a great company that continues to grow really well."

Nevertheless, since BRP went public in 2013, the three original investors have sold shares, and they've taken a more hands-off role. Bain is down to 20%, the Beaudoin-Bombardier family at 28%, the Caisse at 6%, BRP insiders at 2% and the public float at 44%. Bekenstein says he and other directors let Boisjoli and the managers make decisions. "We're informed and aware of everything that goes on, but we're not driving it."

As pleased as people inside and outside the company are with BRP and Boisjoli, however, they were all knocked for a loop by the biggest crisis to date: the pandemic.

“I

"I talk to dealers all over the U.S.," says Rob Strauss in Wisconsin, "and they were the craziest years of my 41 in the business."

In 2020, many powersports dealers and manufacturers shut down for months at a stretch. "We were absolutely bleeding cash on a daily basis," Strauss says. Then there were global supply chain bottlenecks in 2021. Factories and showrooms were open

again, but it was very difficult for manufacturers to get key components for their vehicles.

Yet, an unprecedented turnaround soon followed, he says. "COVID brought so many people who were new to the business. It brought people together. We started to grow at a pace that was out of control."

The view of the world from Valcourt was similar. BRP's manufacturing operations were shut down in April and May of 2020, and even June in some locations. So product shipments—which counted toward sales—were down. But retail demand still grew every quarter. The company finished its 2021 fiscal year the following January at \$6 billion in revenue, just \$100 million less than the previous year, and BRP earned a \$363-million profit. And demand continued to soar as manufacturers struggled to keep up.

Boisjoli and his team made two excellent decisions as bottlenecks emerged. First, they kept running factories at almost full speed. But the manufacture of parts and systems like front shock absorbers and luggage cases was delayed. So they decided to ship vehicles to customers with some components missing and deliver them later. "We gained six points in North American powersports market share in one year," he says. He's also impressed at the purchasing power of many new customers. Over the past four years, the average household income of buyers has soared from US\$115,000 to US\$165,000.

Indeed, Boisjoli and analysts who follow BRP say there's still room to grow in several market segments, and in countries around the world. Desjardins Securities' Poirier says BRP dominates snowmobile and personal watercraft sales in North America with 60%-plus market share, but it's still behind in side-by-sides at 30%. He thinks BRP could hit 40% within a few years.

Powersports vehicles are still a discretionary purchase, Poirier says, compared to, say, consumer staples. But he says making a quality product helps. In North America, Europe and Australia, BRP has won market share by sticking to the premium segment. In China, the company has moved more cautiously, and Poirier says that's probably wise. Many competing Asian producers flood the market with low-cost value offerings.

There's also the shift to electric vehicles, and here again, Boisjoli appears to be moving early and deftly. In 2021, BRP announced a five-year electrification strategy. It will invest \$300 million over five years. The company is aiming to have at least one electric product on each of its eight platforms by 2027. But Boisjoli also notes that, unlike the automobile sector, there are no government regulations in powersports yet. Even so, he says BRP "cannot ignore" the trend.

Personally, Boisjoli remains passionate about powersports and says he has no plans to retire any time soon. "He's still riding his motorbikes and snowmobiles," Poirier says. "He has people who could take over, but I don't think he's there yet." ●

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2023



THE NEWCOMER

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Since Robinson took over the struggling network, she's improved its efficiency metrics, changed its operating model—and even won over the hedge fund that called for her predecessor's ouster. Bonus: She's only the second woman to run a North American railroad

by **JOE CASTALDO**



Tracy Robinson would be the first to admit she was a surprise choice for CEO of Canadian National Railway. She'd stepped away from the industry for close to eight years before taking over CN in February 2022. Sure, she'd spent nearly three decades at Canadian Pacific before that, with roles in sales, marketing and finance, but the investor and analyst community didn't see her as an "operations person."

There is, after all, a kind of mythos around railroaders. The men who lead Canada's railroads—and they've all been men—have typically spent decades working with trains, prone to telling tales of the grit involved in keeping them rolling. Hunter Harrison, who's credited with turning around several railroads, including CN, got his start as a teenage carman-oiler. Keith Creel, the Harrison disciple who now heads Canadian Pacific Kansas City (CPKC), once

trekked to a hotel in the dark of night to turn over rooms so a rail crew could sleep.

Robinson had never been an operations chief in an industry whose entire *raison d'être* is moving stuff from one place to another, not to mention that CN in particular was grappling with operational problems. Plus, as one analyst noted when her appointment was announced, for some of her 27 years at CP, it underperformed so badly it could only be righted by (who else?) Harrison. So how, analysts asked, was the company confident that Robinson was the right choice?

Today, the question elicits a wry chuckle. "I don't blame anybody for having some questions," she says. The skepticism didn't rattle her. "I'd rather come in and show than talk," she says. "I don't mind having to prove it."

And she's made a lot of progress. Since Robinson joined CN close to two years ago, she has retooled its operating model, whittled down its operating ratio (a crucial efficiency metric), closely integrated departments, restored credibility with key investors and won plaudits from analysts. She has done so without slashing jobs and cutting costs—a tactic so common among CEOs looking to juice results that it's basically animal instinct—but by playing to the organization's strengths.

What's more, she has managed to keep at bay TCI Fund Management, CN's second-largest investor, which waged a vicious campaign to oust her predecessor. Earlier this year, Robinson was in London to be interviewed on stage by Chris Hohn, the hedge fund's founder, at TCI's annual meeting. "The things he wants are the same things all our shareholders want," she says. "I would say we're very aligned." TCI partner Ben Walker said over email that the fund isn't giving interviews, "but we do think Tracy is doing a good job." Coming from an investor with a history of issuing bombastic statements to tear down weak executives, that may well qualify as high praise.

There's still more to do, however. Profit has trended down in recent quarters, and the stock price is below where it was when Robinson joined. She has a stronger and wilier competitor in CPKC, whose blockbuster merger closed this year. And then there's the weakening economy, which prompted Robinson to cut CN's outlook earlier this year.

The initial skepticism may have waned, but Robinson isn't done proving herself just yet.



One skill Robinson has had to work on is her French. Headquartered in Montreal and subject to the federal Official Languages Act, CN stoked some ire last year because it didn't have a single francophone board member, which it

soon rectified. Robinson has been working with a private tutor and plugs away at Duolingo. Around CN, she speaks French with employees when she can. “It’s so far from perfect it’s not even funny,” she says, “but they appreciate the show of respect.”

On a recent visit to Taschereau Yard, not far from Montreal’s Trudeau airport, Robinson was personable and curious as she chatted (*en anglais*) with employees. Later, at a repair shop, she gamely joked with a group of francophone workers about the need to move trains “*plus vite*,” though another employee translated at times. Still, she was unfailingly enthusiastic, impervious to any awkwardness caused by the language barrier. (Maybe that’s not surprising, given her hobbies lean adventurous. The previous weekend, she went skydiving.)

There wasn’t much French spoken where Robinson grew up, outside tiny Bethune, Sask., where her family ran a farm. Her career plan was to become a phys ed teacher, but facing slim employment prospects, she completed a business degree at the University of Saskatchewan before getting recruited by CP on campus. She was flown to Vancouver, Calgary and Montreal for interviews, and had visions of a big-city job. Instead, she was offered a sales position in Regina.

Robinson started cold-calling prospects, sometimes heading out to warehouses to sway companies that shipped by truck to switch to rail. She had a knack for it, and over the next couple of decades, she took on a variety of roles in Calgary, Vancouver, Edmonton and Montreal, from marketing, strategy and operations to customer service and finance. She also served as chief of staff to former CEO Rob Ritchie. “You could have five different careers in the same company, and there weren’t a lot of people going across functions,” she says, adding she had no grand career plan. “I was curious, always, around how the next thing got done.” She came to see herself as a utility player, someone who could learn and adapt regardless of the role. Robinson, who also earned an MBA from the Wharton School of Business, was appointed vice-president of marketing and sales in 2010. In that position, she struck up a conversation with TC Energy (then known as TransCanada) about shipping crude oil by rail, owing to the difficulties the company faced with its cross-border Keystone XL project. Instead, she left CP in 2014 to join TC.

Robinson spent seven years there, most recently as head of Canadian Natural Gas Pipelines, where she gained a deeper understanding of capital expenditure. She wasn’t necessarily expecting to return to the rail industry, but then CN called.

The country’s largest railroad had run into trouble, and much of it spilled into public view through its ill-fated quest to purchase Kansas City Southern. In March 2021, CP first announced a deal to buy KCS for US\$25 billion in cash and stock, a deal that would create the only railway connecting Canada, the U.S. and Mexico. CN attempted to blow up the whole thing by tabling its own bid worth US\$33.7 billion, but the offer was undercut

by regulatory uncertainty. The U.S. Surface Transportation Board (STB) would first have to approve CN’s proposal to create a voting trust (which would allow shareholders to be paid out quickly while a full review was completed) and said it would take a more cautious approach to reviewing the deal than it would for CP, in part because a CN-KCS merger could dampen competition.

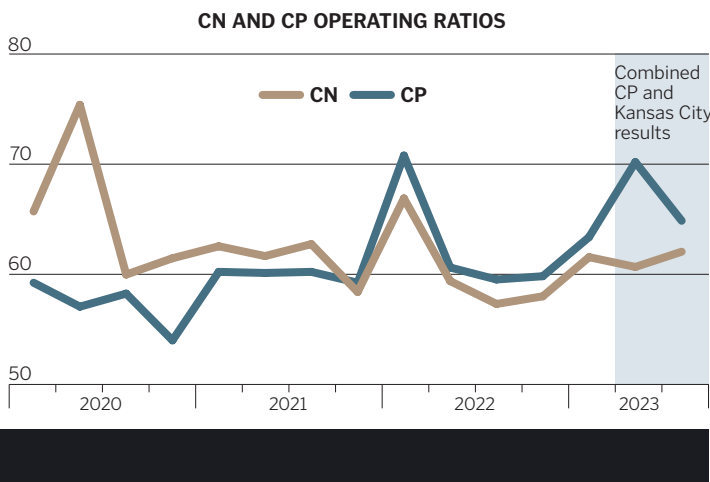
Everybody but CN saw that it was doomed to fail, especially TCI, which owned a more than 5% stake in CN worth US\$4 billion. TCI wrote to CN’s chair to call the bid “extremely reckless” and warned the railway could face billions in liability if the deal was rejected.

The STB did in fact reject CN’s proposal, in August 2021. By then, TCI was out for blood. The fund issued a blistering letter to the board calling out the railway for years of underperformance. “CN has lost its way, and the business needs to be fixed as a matter of urgency,” TCI wrote. Operating income, earnings per share and free cash flow had all declined under CEO Jean-Jacques Ruest, TCI charged, while noting CN’s operating ratio, which measures operating expenses as a percentage of revenue, had gone from best-in-class to worst. TCI moved to call a special shareholders’ meeting to give Ruest the boot, along with CN’s longtime chair, Robert Pace.

In January 2022, CN and TCI reached a truce. They would jointly appoint two independent directors. Ruest, whose retirement had already been announced a few months earlier, would be replaced by Robinson.

While some investors and analysts expected to see an operational CEO replace Ruest, the board was thinking more broadly, says Shauneen Bruder, CN’s current chair. The board wanted someone who could define a long-term vision, and build a culture and team to deliver on it. “Tracy just continued to rise to the top in terms of her ability to deliver across all three horizons,” says Bruder. Rather than view Robinson’s time away from the industry as a red flag, the board saw it as a virtue. “If you’ve grown up in one industry and that’s all you’ve known, you don’t consider the possibilities for different approaches.”

CN required fresh thinking. Some may quibble about the depth of its problems, but there’s no doubt the company had hit trouble. “They slipped over multiple years in terms of margin performance because of operational management not being as solid as it used to be,” says Konark Gupta, an equity research analyst at ScotiaBank, adding that CP had been able to poach customer contracts. Even internally, some of TCI’s criticisms were seen as valid. “They made the point that we were lagging earnings, and that’s true,” says Ghislain Houle, CN’s CFO since 2016. “It sends the message that we’re not productive.”





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What was apparent to Robinson was that CN was running the wrong model for its network. It had been seeking to reduce the number of train starts and run very, very long ones, which can save on labour and be more efficient. That works well for a railway like Burlington Northern Santa Fe in the U.S. (where CN's previous operations chief hailed from) because it has double or even triple track in places, allowing trains to more easily pass one another. CN, however, is a single-line network. "That doesn't work here, because you've got two long trains about to meet each other," Robinson says. Without adequate siding infrastructure, where trains can pass one another, delays mount up—which happened at CN.

Robinson got in touch with Ed Harris, a five-decade industry veteran who was CN's COO until 2007. She flew to Chicago to meet him in person, and a one-hour meeting stretched to three. "She had some concerns with what she was seeing, and I tried to answer some of her concerns with what I thought needed to be done," Harris says. He first joined as a consultant in April 2022 and then as full-time COO in November.

On his first day back, his wife texted him a picture of a bouquet of flowers. They were from Robinson, who'd sensed that Harris returning to work in his 70s might cause tension. "That goes a long way when I open the door and come in for the day," says Harris.

Compounding CN's operation problems, in his view, was the fact that it had cut too many employees, including 650 managers and 400 unionized workers in the midst of its fight with TCI. "When Tracy got here, she could tell it was already cut to the bone," Harris says. CN has since brought on 1,700 employees to replace what was lost. Cutting heads achieves little in the long run, Harris says. "What gets you something is keeping the traffic moving." (Harris's post was never seen as long-term, and in October, CN announced it was splitting his job between two CN executives.)

In short order, CN abandoned the strategy of waiting to build up long trains, and instead focused on running them quickly and reliably. "We still want 12,000-foot trains," Robinson says, "but the train has got to leave on time." That means it can move more volume with fewer cars and fewer delays. Since making the switch in April 2022, CN now has a 90% on-time departure rate compared to 79% last year, and car velocity (how many miles a car moves in a day) has improved by between 15% and 20% since her arrival. The operating ratio is down, too, from 66.9% when Robinson joined to

62% in the third quarter.

Western Canada was another problem. CN had taken on more business than it could handle, raising costs and increasing congestion. Robinson is now taking a more disciplined approach. "If we have the opportunity to sell more than we have," she says, "we're not going to take it on until the capacity exists." It's a delicate balance—CN can never be sure how much potash the world will mine or how many cars consumers will demand. "It's not an exercise where you have great certainty," she says.

She's also made organizational changes to help prevent such a mismatch from happening again. The company was too siloed, impeding communication. Robinson has since instituted a meeting every two weeks for executives and direct reports to discuss customer contracts, capacity and pricing to ensure departments are aligned. She expects employees to weigh in on issues beyond their own departments, too. "She tells us clearly you're not here to advocate your function. You're here to give your opinion on the entire business," says Houle.

For the most part, analysts have been impressed. Tony Hatch, an independent rail analyst in the U.S., says Robinson has pivoted the company toward growth (CN has the potential to invest \$4 billion between 2024 and 2026, in part for network and tech upgrades) as opposed to ruthless cuts. "Sometimes that pendulum swings way too far," he says. "You hit the level where you start to irritate your employees, your regulators, your legislators and, most importantly, your customers."

The changes have also put CN in a better position to drive profitability, according to Dan Fong, an analyst at Veritas Investment Research. "They have, to my mind, righted the ship. Operationally, they've made all the right moves," he says. The changes have yet to do much for CN's stock, which was down about 5% in early November from when Robinson joined. Fong says the trend has more to do with macroeconomic uncertainty than doubt about CN. Indeed, revenue slipped 12% in the latest quarter compared to the year before due to lower volumes.

There are still more challenges, such as the newly formed CPKC, which provides an enticingly efficient route. In response, CN partnered with Union Pacific in the U.S. and Ferromex in Mexico in April to launch Falcon Premium, a service joining all three countries. CN has billed it as the most direct route between Canada and Mexico, and claims it's faster than any other option.

Fong contends CPKC has the advantage, estimating its route is two to three days faster from Mexico to the U.S., with less complexity. "It's going to be tough for that whole consortium to attract some of that traffic," he says.

Robinson, as always, is aware of what she's up against. "The challenge we have is to take three railroads and operate as one," she says. "So far, it's going very well, but that's the test."

One more thing for Robinson to prove.

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2023



THE INNOVATOR

FRED LALONDE
HOPPER

Lalonde got his not-so-illustrious start as a teenage hacker. Now he's built (and rebuilt) the third-largest online travel agency in North America and invented an entirely new line of high-margin fintech products. Oh, and he wants to save the planet, too

by SEAN SILCOFF



Fred Lalonde is excited, though that's not a shock—he gets excited *a lot*. “I want to do this,” he says, his words running into one another as if he can’t wait to get to the next sentence. “I want to do nothing but this.”

The 50-year-old entrepreneur is deep into a meeting in an industrial building in Montreal’s Rosemont neighbourhood that also houses a zinc factory and a lock museum. Hopper, the online travel company Lalonde co-founded 16 years ago, is purely virtual, so this 6,500-square-foot space is more of a clubhouse, complete with stocked kitchen, couches, conversation booths and desks for a few scattered employees.

Lalonde would normally be on Slack at home in nearby Outremont. But on this sunny Thursday in September, he’s here for a weekly catch-up with vice-president of growth Makoto Rheault-Kihara, a serious 27-year-old who looks like a first-year commerce student. The pair pore over

spreadsheets as if searching a treasure map.

Most Canadian startups can only dream of their first \$1 billion in revenue. Lalonde is already thinking well beyond that. With the post-COVID “revenge travel” trend still under way, Hopper is approaching the rarified 10-figure revenue mark, having surpassed US\$500 million on an annualized basis this year. That’s up from US\$17 million in all of 2019. He has charged Rheault-Kihara with figuring out how to crank up Hopper’s hotel booking business to US\$1 billion in gross bookings, more than tripling where it is now.

Hopper is now the third-largest online travel agency in North America, with more than 13% of the category’s share of flight bookings, a solid business in lodgings, and contracts to manage the travel businesses of Capital One Financial and other credit card issuers. It has built its business by using artificial intelligence to leverage trillions of data points, creating an app geared to Gen Z travellers. It first gained traction by advising travellers *not* to buy—allowing them to track prices on desired routes and sending updates until prices had fallen to optimal levels. Its app has been downloaded 100 million times.

Hopper’s data-first approach has given the company a wedge to create a much larger business—and reigning online travel kings Expedia and Booking.com have noticed. They saw their combined share of online hotel bookings drop for the first time during the COVID years, with much of that shifting to Hopper, according to Bernstein lodging analyst Richard Clarke. Both had given Hopper access to their inventory of hotel rooms, enabling Hopper to piggyback on their businesses to serve its own customers. But in July, Expedia abruptly ended its supply deal, accusing the upstart of exploiting consumer anxieties to sell them needless products. Then, on Sept. 29, Hopper ended a similar relationship with Booking.com after striking enough direct relationships with hotels to supply 65% of its room inventory and getting the rest from other lodging marketplaces.

What has the big guys so irked is Hopper’s lineup of insurance-type products, introduced in 2019, that allows customers to freeze prices, cancel or change bookings for full credit, rebook missed connections for free, or protect against disruptions. These so-called fintech offerings carry much higher margins than travel (thanks to plenty of trial and error testing by Hopper) and, if Lalonde is right, they could create new revenues for the travel industry and bring peace of mind to the frequently unpleasant experience of going places. Or, as Expedia puts it: mercilessly capitalizing on traveller angst.

For years, countless Canadian startups have pledged to become the next Shopify. Hopper has the best shot—though to be clear, it still

has yet to turn a profit. (Shopify hadn't either, when we named founder Tobias Lütke CEO of the Year in 2014.) With a valuation on paper of more than US\$5 billion, Hopper is one of the most heavily financed domestic startups, with Canadian backers including OMERS Ventures, the Caisse de dépôt et placement du Québec and Brookfield Asset Management, plus big U.S. names like Goldman Sachs, Citi and Capital One. If it can equal Shopify's success, Lalonde will have delivered the kind of moonshot returns that have largely eluded Canadian startup investors.

What Lalonde wants, badly, is to keep growing his accommodations booking business, and fast—much faster than the company can do on its app, Hopper's only consumer channel. Lodgings account for a considerable majority of gross travel bookings for Expedia and Booking.com but just 50% for Hopper, and the margins are much better than air. "It will take way too long in the app to reach \$1 billion," says Lalonde, sporting gelled salt-and-pepper hair, and dressed in a black knit shirt, jeans with the cuffs turned up and white sneakers. "If we wait 10 years, we'll get there. I'm trying to do it in two."

The problem is that 60% of all online room bookings happen through browsers. "With app-only, the math just doesn't shake out," Rheault-Kihara tells his boss.

Launching an e-commerce site could deliver faster growth; it's also a channel the giants dominate by spending heavily on Google search, while Hopper drives app traffic with ads on TikTok, Instagram and Facebook. It has looked into launching on the web twice in the past three years; both times, feedback was negative, and the efforts were shelved. Going web "could be the worst idea, because we're giving up our best advantage" on mobile, Lalonde says. Nevertheless, the two agree to start experimenting on the web option.

That's just one project Hopper has on the go. It's working on more partnerships and looking to replace its loyalty program. It's testing whether to incorporate user-created videos on its app. And it's pushing hard to turn a profit in advance of going public, possibly by 2025, which is why, in early October, Lalonde slashed 30% of full-time staff, or 250 people, mostly in areas he says weren't contributing financially.

Then there's Lalonde's side-hustle: trying to save the planet. In September 2022, he launched Deep Sky, a climate-tech startup that's hoping to capture carbon and store it underground. Several of Hopper's investors have also bankrolled Deep Sky, and Hopper director Damien Steel quit his post running OMERS Ventures to lead it.

If it all sounds chaotic, well, chaos is where Lalonde lives, and he's surrounded by people who've strapped in for the ride. "Chaos and ambition are two sides of the same coin," says Hopper president Dakota Smith, who's worked with Lalonde for a decade. "If everything is under control, you're probably not being ambitious enough."



Hopper is what Canadian startups are supposed to be but too often aren't: innovative, fast-moving and willing to bet on compelling signals even if it means changing everything. It's also led by a boss who's...a little out there. "You can say Fred is crazy-good," says Brightspark Capital partner Sophie Forest, Hopper's first investor. "But you can also say he's crazy, comma, good."

Lalonde works all the time (including at his Maine beach home, where he summers with his wife, writer Dominique Fortier, and their daughter) and says he has no friends outside of work.

He speaks in the clipped tone of someone with a perennially active mind and an accent easily mistaken for cosmopolitan American hipster (he spent part of his childhood in Ohio) even though he's a *pure laine* Quebecker. During a day shadowing Lalonde, I ask if he has ADHD. "OCD," he replies. His desk must be pristine, he says, and if he doesn't like the font or borders on a spreadsheet, he'll send it back till it's perfect. He's been known to show up late for video calls because he was fixing the creases in drapes.

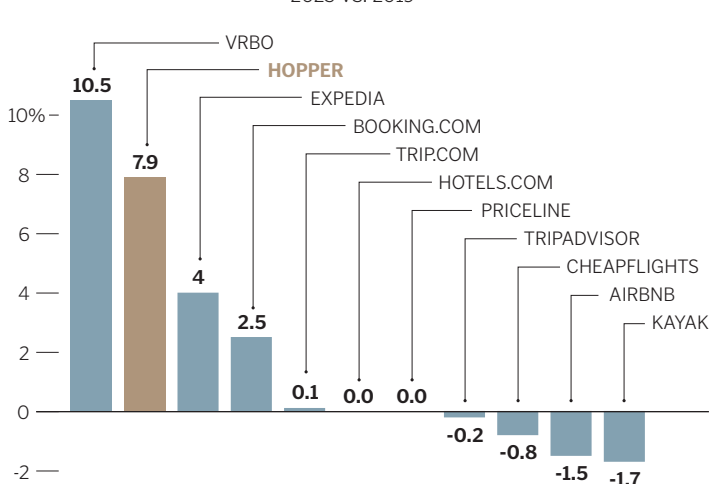
While he runs a data company, "the big decisions, I make on instinct," Lalonde says. Board members describe him as a candid, bold visionary. He's a perfectionist with "an incredibly blunt way about him," says Laurence Tosi, the former CFO of Airbnb and a Hopper investor since 2020. Forest says CEOs often try to manage their boards and only share the good news. "That's not Fred," she says. "There have been periods where he'd say, 'This is not working—we might totally fail and close the company down.'"

His penchant for drama extends to his hobbies—surfing and stunt-snowboarding. His commuter vehicle of choice is an electric skateboard. "I only do things that are hard," Lalonde says.

The same could be said for building Hopper. "I know a lot of good CEOs where the first thing they built worked well, it had product-market fit, it was the right time, and it scaled," he says. "That was not the story of Hopper."

Lalonde started his entrepreneurial career in his teens, selling bootlegged copies of Commodore 64 games on Quebec City's

MARKET-SHARE GAIN OR LOSS OF MONTHLY ACTIVE APP USERS
2023 VS. 2019





south shore. He even hot-wired a phone booth near his home, rigging up a remote dialler to trick the phone company into letting him make free long-distance calls to download pirated game masters from California servers and transmit the data to his home. A police officer once caught him tinkering with his pirate gear; Lalonde got off with a promise that he turn his hacker's sensibilities to non-criminal pursuits.

By the early 1990s, Lalonde was a CEGEP dropout building websites, including an ahead-of-its-time attempt to create a flight-booking service. More successful was a Montreal startup he co-founded called Newtrade. It digitally connected central reservation systems at hotel chains with individual properties to update their systems as rooms booked up, replacing faxes. Expedia bought Newtrade in 2002, and Lalonde led the Seattle-based giant's hotels division and worked on mergers and acquisitions.

After leaving in 2006, he decided to try building something new: a search engine for planning trips. Say you wanted a budget scuba holiday—you'd type in a few details and get back a full itinerary. To create that, Hopper would amass troves of travel-related data from the internet, harnessing the power of natural-language search to deliver optimized plans for each user. When he pitched it to Forest, she was impressed, mostly by Lalonde's drive, quick mind and industry knowledge. Brightspark invested \$500,000 in 2007 for 25% and invited him to work out of its Montreal office.

Hopper owes much of its success to the patience of Brightspark and other early investors. It was a slow build: Lalonde and co-founder Joost Ouwerkerk, an ex-Newtrader, constructed 50 computers to collect data, including the results of every online flight-price search processed through global travel-reservation systems. Hopper stored the machines in a utility room at Brightspark, and they generated enough heat to warm the whole office.

The company relocated to Rosemont and expanded to Boston in 2011 because that's where the data-science talent was. But Hopper got an unflattering reputation. A *Boston Globe* correspondent in 2013 sniffed in a blog, "Hopper seems to be stuck in an endless loop of data collection, design and software development."

Hopper finally launched its website in January 2014 and generated little interest. But a tool hidden on an inside page changed its destiny. Using all that fare-quote information, a Hopper data scientist had built a search engine that could predict the best time to book flights. A *New York Times* travel writer tried it out and discovered it was cheaper to book on Thursdays than on weekends, and to fly out on Wednesdays instead of Sundays. His April 2014 article brought a flood of traffic to Hopper's website.

Lalonde immediately wanted to pivot purely to predicting airfares—and do it all through a smartphone app, despite having no staff with mobile development experience. The board was split;

Lalonde said he'd do it anyway. "We have product-market fit. Nothing else matters," he told directors. Several product managers and engineers quit.

After spending six years and \$10 million, "it was just a shock, because so much energy had been spent on the previous version of Hopper," says Forest, though she adds it was the right decision.

Hopper launched the app in early 2015, telling users what they should expect to pay for specific flights and whether they should wait for prices to drop, sending updates to keep them engaged. Apple named Hopper one of the year's best apps, and by late 2016 it had been downloaded 10 million times. Airbnb user polls revealed a high number of its customers used Hopper to scope out flights, prompting the room-sharing giant to try to buy Hopper. But Tosi, who was with Airbnb at the time, says, "Fred gave us a number that was so off-the-charts, it was clear he didn't want to sell."

Lalonde realized Hopper had to do more than make recommendations; it needed to sell tickets to ensure consumers locked in those predicted airfares. Hopper began selling flights within a few months, and quickly expanded to hotels and, later, car rentals and short-term home rentals.

But Lalonde grew frustrated as Hopper missed product deadlines. He decided to split the company into small units, each one a mini-company responsible for most business functions, including product, sales and HR. Lalonde knew he'd "break things," but he felt it would reaccelerate the organization. During a flight from Boston to Montreal just before the pandemic, he told Forest he'd even disband the engineering department, downshifting employees to the individual units.

"Fred. Please, don't," she told him. The company had just promoted its VP of engineering to chief technology officer, and Forest was afraid he'd leave—which he soon did. "I was scared," she recalls. Sure enough, the initial failure rate among leaders in their small-unit roles was "horrific—like 50% churn" says Lalonde. "It looked like I destroyed my company."

Meanwhile, Hopper was trying to improve revenues tied to air bookings, which carry slim fees—up to 2% of fares. Lalonde and Smith realized many air-only online agencies made money charging punitive fees. The pair wondered what ancillary services (later called fintech) they could sell that flyers would willingly pay for.

Each offering took a while to get right—particularly charging customers to freeze prices, because Hopper didn't control seat inventory. Plus, the company took on the risk of funding payouts; if it got the math wrong, it could lose a lot (and did on some products early on). Because there were so many variables, Hopper would dynamically price each offering, meaning each traveller paid a different amount, starting under \$10 and now averaging \$40. "It took a lot of experimentation and customer feedback and pricing analysis to get it right," says Ella Alkalay Schreiber, general manager of Hopper's fintech division.

Some products were easier, like disruption protection: Hopper would automatically rebook a customer on a different airline or pay a refund if their flight was late for a connection. Another hit: “leave for any reason.” Customer surveys revealed many users feared their partners would hate the hotels they booked, so Hopper offered, for a fee, to rebook them at another hotel, no questions asked.

By February 2020, the company had spent nearly US\$200 million of venture capital, but everything was clicking. That month, it had 5.3 million monthly active users and US\$80 million in gross bookings. Revenue was US\$4.6 million, up 452% from the previous February. As he made the rounds for a planned financing of hundreds of millions of dollars, Lalonde told prospective investors Hopper would hit US\$99 million in revenue that year and surpass US\$370 million in 2021. Fintech was working: Gross revenue per price-freeze customer was US\$34.56 in January 2020, five times higher than the previous quarter. Gross margins for those products were nearly five times higher than the 11.7% for travel. The single-threaded structure was gelling.

Then COVID-19 hit.

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The pandemic was a near-death experience for Hopper. Until governments agreed to help refund airfares, it looked like widespread shutdowns would vaporize its resources. It took Hopper months to process hundreds of thousands of refunds, and many customers lashed out on social media and to consumer agencies. Lalonde’s phone number was leaked online, and he was flooded with complaints. “You had people saying, ‘I got fired—if I don’t have this \$1,000 back, I can’t feed my kids,’” he says.

Though he believed the industry would suffer for years, Lalonde was determined to close a financing—at a higher valuation than his last fundraise in late 2018, but less than originally anticipated. As negotiations dragged on, Lalonde grew impatient. Hopper was losing \$1 million a week. If he couldn’t close the deal soon, he warned investors he’d have to fire 95% of his employees.

Tosi, whose private firm, WestCap, had signed on to invest, says despite the turmoil, he admired Lalonde’s tenacity and trusted the company would prevail. WestCap and Montreal’s Inovia Capital signed on to lead a US\$70-million funding in April 2020. Once the terms were set, Hopper cut close to half its 340 employees.

Then something surprising happened. While business travel shut down, Gen Zers kept flying to domestic destinations. Because flight prices collapsed, Hopper’s app kept signalling that now was the time to buy. And Hopper’s young custom-

ers loaded up on its fintech products to backstop their uncertain travel expenditures. Hopper’s revenues doubled in 2020, then increased by 300% in 2021 as Hopper became the most downloaded travel app in the U.S.

After turning down a couple of partnership entreaties from U.S. credit card giant Capital One, Hopper reconsidered. Capital One signed on Hopper in 2021 to help run its travel-booking and loyalty rewards service for tens of millions of cardholders, including offering the price-freeze and cancel-for-any-reason products. The financial services giant also invested in the Montreal company, starting with a US\$170-million funding round it led that year.

Since then, Hopper has teamed up with Commonwealth Bank of Australia and Brazil’s Nubank for similar deals. Air Canada added Hopper’s cancel-for-any-reason protection in a revenue-share deal this year, and Uber is testing travel sales in the U.K. through Hopper. Those deals account for most of Hopper’s revenue.

Despite its success, Lalonde’s rating on employer-grading website Glassdoor stood at 57% before this year’s layoffs. “I’m actually shocked it’s that high,” Lalonde says when I ask him about the rating. “I would have given you 40.”

Lalonde isn’t big on employee engagement. Hopper’s priorities are customers, speed and revenue. “We tell our employees, ‘I don’t matter. You don’t matter. The customer matters,’” he says. “Employee happiness is not a goal. It’s not valued by investors, and our customers don’t care if you’re happy.”

That said, Lalonde has a core group of executives, mostly in their 20s and 30s, who’ve not only earned his trust but are free to challenge the boss. Those who thrive at Hopper, says Schreiber, “love nailing hard problems, thinking critically about them and aiming for the big bets.”

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As Hopper started to take off in the late 2010s, Lalonde thought he’d do right by the planet and sponsor a reforestation program to offset the carbon his industry produces. But the more he read about climate change, the more he worried.

Lalonde now talks in stark terms about looming catastrophes wrought by rising temperatures and sustained droughts. To fix the problem, he believes we must remove all the carbon we’ve pumped into the environment since the Industrial Revolution. The cost will be inconceivably high—but in Lalonde’s mind, we can’t afford *not* to. “We are going to have to build, over the next two to three decades, an industry that is larger than oil and gas, just for the removal,” he told *The Globe and Mail*’s Road to Net Zero summit in June. (Lalonde still drives an Audi gas-powered car, which he admits “is one of my moral dilemmas.”)

Even by Lalonde’s standards, Deep Sky is a big bet. The climate-tech startup’s aim is to build vast carbon-removal and sequestration operations across Canada, then to store that carbon underground. Revenue will come from selling carbon credits. Tosi and Ouwerkerk are co-founders (the latter, who left Hopper last year, is CTO), and Smith and Forest sit on the board.

Carbon capture and storage is a bit of a holy grail, particularly in the oil industry, which is desperately seeking a net-zero emissions solution that will allow producers to continue pulling fossil fuels out of the ground. But success remains largely hypothetical, save for some small-scale installations. Lalonde, typically, has something far larger in mind, though he admits there are plenty

ASK any CEO, and they'll tell you that they've got a whole lot of questions about AI. What costs can it cut? What gaps can it close? What margins can it grow? What products can it improve? When can we implement it? Can it help us move faster? How fast? How soon? In a year? A week? A day? Now? Okay, how about now? Can it make us more innovative? More productive? More profitable? **MORE** everything? These are important questions. But what are they without trust? That magical ingredient that inspires us to ask the essential questions of AI, like, where does my company's data go? Is it private? And who's in charge of all this, anyway? It's time we held AI to a higher standard. Which leads us back to our number one value, you guessed it, trust. Because the brain **OF** AI with the heart of a human? Trust us, that's progress. That's asking more of **AI.**



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of unknowns, including the market for carbon credits, whether the tech will work at scale and legislative issues.

This year, Deep Sky has quickly raised more than \$75 million in capital from Brightspark, White Cap Venture Partners, the Quebec government's investing arm, OMERS Ventures and BDC. It has recruited staff, struck partnerships and worked to secure locations for pilot facilities. Lalonde also convinced Steel to leave OMERS to lead Deep Sky, even though he has no climate-tech qualifications. And he's brought on McKinsey sustainability expert Phil De Luna as chief carbon scientist; Gregory Maidment, who oversaw one of Canada's three underground carbon storage facilities, is director of subsurface.

"Honestly, I would have died, another six months" of juggling both companies, Lalonde admits during a meeting with a BMO banker. "There have been times where I couldn't give the right attention to the right thing, and I feel guilty, where teams are working and you get pulled off on the other side." With Steel on board, "I feel like we have restored some cosmic balance," he says.

Lalonde's divided attention is bound to raise questions as Hopper prepares to go public, as will Deep Sky's premise. Climate policy expert Bruce Lourie, president of Toronto think tank Ivey Foundation, puts direct carbon capture from the air

(DAC) well down the list of climate priorities, behind things like curbing methane emissions, transitioning off fossil fuels and capturing carbon at source. He thinks DAC won't reach its potential for decades, will be "extremely expensive" to build and require huge amounts of energy. "It's essentially like an insurance technology if we fail to do all the rest," he says. Lourie estimates Lalonde would have to build hundreds of facilities to extract the carbon equivalent of Canadian methane emissions alone—and "that's one little part of overall emissions." Lots of tech entrepreneurs "have created apps and made a lot of money, and now they're going to solve climate change? There are no apps for climate change."

That isn't stopping Lalonde. He knows he has the attention of bankers eager to take Hopper public, and he's using that leverage to get them in on his climate play, too. "They realize Deep Sky will be an enormous company that will go public, so they actually want that relationship," he says.

If building an online travel contender wasn't challenging enough, getting everything to go Deep Sky's way sounds much tougher. But Lalonde likes hard things—and the harder he tries, the more people he seems to attract. "There will be a whole bunch of challenges that even Fred doesn't fully understand yet," says Ouwerkerk. But when Lalonde invited him a year ago to join Deep Sky, "I didn't even have to think twice. I was like, 'Yes please.'"

So let's check that itinerary again: Make Hopper profitable, build a long-odds climate startup, potentially take two companies public—and just wait till you hear what other startup ideas Lalonde has up his sleeve. For his next venture, he'd love to build small nuclear reactors or electrify the roads to power battery-powered cars. That is one busy bunny.



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- › Innovator: **Frederic Lalonde**, Hopper

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THE CORPORATE CITIZEN

CONNOR TESKEY
BROOKFIELD RENEWABLE PARTNERS

The energy transition requires go-big thinking, and this climate capitalist is delivering. In just under two years, Teskey deployed a \$15-billion fund on 19 investments. Now, he and his team are raising an even bigger fund—and showing impressive results

by **JAMES BRADSHAW**



There are two things you should know about Connor Teskey's philosophy for investing in the climate transition.

Teskey is head of the rapidly growing renewable energy arm of asset management giant Brookfield, and his first rule is that he accepts no discount on investment returns simply because Brookfield's decarbonization goals could be good for the planet. When sifting through the scores of potential deals that cross his desk, Teskey is looking for a target return of 12% to 15%. "This investment strategy is 100% commercial," he says, "and we think that is incredibly important."

The second thing you should know is that, from time to time, Brookfield will cast its gaze past investment oppor-

tunities that are "already green and clean and pristine," Teskey says. Instead, it makes big investments in heavy emitters to help them start the process of turning over a new leaf. It's a strategy of investing "to drive material decarbonization" where emissions are most acute. "We actively seek opportunities where those two things are completely aligned," he says via video call from Brookfield's London office, where he's based. "We don't ever want to be accused of, are you trying to make money or are you trying to save the world?"

Why not both? In 2021, Teskey's division launched its first, \$15-billion Brookfield Global Transition Fund, the largest pool of private capital earmarked for funding the transition to net zero (all figures in U.S. dollars). Brookfield raised the money—including \$2 billion of its own—and deployed the entire fund into 19 investments, all in two years.

One of those deals saw Brookfield lead a \$10.5-billion consortium bid to take over Origin Energy, an Australian power generator that produces energy from natural gas-fired stations and coal plants. If the deal closes—it faced an uncertain shareholder vote in late November—Brookfield has pledged to reduce Origin's carbon emissions with as much as \$12.5 billion of investment in renewable power generation and storage, which could allow the company to retire one of Australia's largest coal-fired plants. If the plan works, Brookfield claims it could contribute up to 8% of the reductions Australia needs to hit its national carbon emissions targets for 2030.

And if Brookfield is able to achieve the decarbonization goals it has set for all 19 of its investments through its first Transition Fund, the company says it would avoid emissions equivalent to the output of London, New York and Singapore combined. "This is not immaterial," says Teskey. "The scale of what we're doing, the level of deployment, the level of decarbonization is very meaningful."

Teskey, who turned 36 this fall, started at Brookfield 11 years ago. After learning the ropes in private equity, then in the renewables business, he was named CEO of Brookfield Renewable Partners in fall 2020, not long after Mark Carney, one of the world's foremost voices on the urgent need for a climate transition, also joined Brookfield, where he's vice-chair and head of transition investing.

In fact, Teskey was part of the pitch made by Bruce Flatt—the driving force behind the Brookfield empire—to lure the former central banker to Brookfield. "We have this fantastic person, really first-class manager, developer of people," Carney recalls Flatt telling him. "And we would need all those things."

For the past three years, he and Teskey have worked together to build a new strategy for Brookfield's renewables investments and to

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launch the first Transition Fund. Now, they're back in the market raising a second, larger fund that's expected to reach at least \$20 billion.

Brookfield's approach has been to largely focus on meeting corporate demand for clean energy, such as agreements to supply companies with power, rather than with centralized utilities or governments. "Really, what is driving decarbonization on a global basis today is corporate demand," Teskey says. "It's much more a corporate pull now than a government push."

In some respects, Brookfield has chosen a safe path toward decarbonization. It's not investing in the bleeding edge of clean-tech innovation, because Brookfield doesn't like taking what Teskey calls "binary risk"—investments where the returns can plunge if a technology doesn't progress or a key permit isn't approved. Instead, the vast majority of its investments are in the most mature technologies that carry lower risks—think solar and onshore wind power. For investors, many of those projects can be substantially "de-risked" at the outset, Teskey says.

When investing to build a renewable energy project, Brookfield likes to lock in as many variables as it can up front—financing, contracts for revenue and capital expenditures, engineering and construction. "At that point, as long as you execute, your investment return is largely secure," he says. "It works throughout market cycles."

From another perspective, Brookfield has been wildly ambitious. When it raised the first Transition Fund, investors asked how it planned to spend so much money. But in barely two years, Carney says Brookfield looked at a backlog of over \$80 billion in possible transactions and whittled that list down until it had put every dollar to work. "It's amazing, the velocity and the quantum at which they've been able to do that," says Jake Lawrence, group head of global banking and markets at Scotiabank, which counts Brookfield as a client.

Its investments span a wide range of assets. Last year, Brookfield teamed up with Cameco Corp. to bet on surging demand for nuclear power by buying Westinghouse Electric for \$4.5 billion, plus \$3 billion in debt. It spent \$2 billion on two U.S.-based solar and wind operators. It pumped hundreds of millions into investment agreements with companies in Calgary and California deploying carbon capture and sequestration technology. And earlier this year, it invested \$1 billion in India-based Avaada Group, an energy developer with expertise in green hydrogen.

Brookfield is already thinking bigger. "A \$15-billion or \$20-billion pool of capital, the ability to cut \$1-billion or \$5-billion cheques sounds big," Teskey says. But when investing alongside the largest power, industrial and tech companies, "it's nothing in the context of the size of those businesses."

The challenge of pulling off a global climate transition is even more enormous, likely requiring trillions in investments over the coming decade. Yet, in the near term, Brookfield's investments in renewable energy and reducing the carbon footprints of large emitters have a real chance to move the needle. It has a long-term pipeline to develop 134 gigawatts of energy, and by 2024, it expects to be deploying about seven gigawatts each year—roughly enough to supply as many as seven million homes for a year.

Brookfield isn't new to investing in renewables. The company started buying hydroelectric plants in the 1980s and packaged up some of its power assets to be listed publicly in 1999. Brookfield Renewable Partners itself has existed since 2011, when Teskey was a sports-obsessed 12-year-old in Vancouver.

Teskey moved east to attend Western University, where he was a lightweight rower. Once there, "my order of priorities was sports one, school two," he says. "I love sports. I love the competition of it. It teaches you hard work and working through problems."

His career started on the trading floor at CIBC, doing corporate debt origination. "He was a natural leader, he was a remarkably quick study, and he was really driven to be successful," says Susan Rimmer, his first desk head. After three years at CIBC, he joined Brookfield's private equity group in 2012. Four years later, he moved to renewable power in London. "What was interesting is I had no renewable power or utilities background," he says.

Today, his expertise in renewable power, particularly as an investment manager, is "right up there with the best," says Carney, himself a force of nature in sustainability circles. Under his and Teskey's leadership, the business has expanded rapidly.

The first phase was built in the throes of the pandemic. Brookfield is well known for having been at the vanguard of returning to offices. After all, it manages a \$272-billion real estate portfolio that includes office buildings in major financial centres.

Even so, Carney remembers building the strategy in part through video calls with 40 or 50 people on screen, hashing out what sorts of investments should be chased or passed up. At the same time, Brookfield Renewable Partners more than doubled its staff—it now has 120 investment professionals across 20 markets.

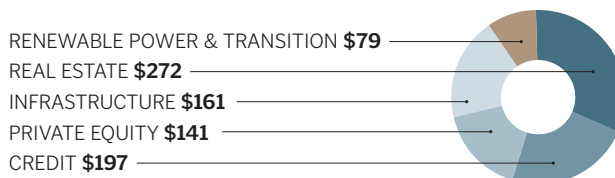
The public image of that staff is a battalion of people in Brookfield's uniform of dark suit, white shirt and plain tie. But Carney and other Brookfield executives have been accustomed to seeing Teskey taking late-night calls from his dimly lit home office in London, draped in an oversized red Stanford hoodie and speaking softly as his first child—born less than a year ago—slept nearby.

Brookfield operates across several time zones, and Teskey works a lot—even by Brookfield's exacting standards. "He's virtually always accessible," says Carney.

Clients agree. Rimmer, who now does business with Brookfield as CIBC's head of global corporate and investment banking, remembers Teskey having a "remarkably strong work ethic—just relentless passion."

Teskey was involved in Brookfield's \$5-billion deal to buy a

BREAKDOWN OF WHERE THE ASSETS OF BROOKFIELD ASSET MANAGEMENT ARE INVESTED (US\$BILLIONS)





majority stake in Oaktree Capital Group in 2019, forging a partnership that brought together Flatt and Oaktree co-founder Howard Marks to run a \$500-billion money-management colossus. That tie-up is the transaction he's most proud of. The partnership "has been so mutually beneficial," he says—it changed Brookfield's competitive position, boosting its clout in the sector.

"There are lots of smart people," says Scotiabank's Lawrence. "There are lots of people who are mature. But Connor's work ethic multiplies those."

As Carney puts it, "He is a guy who's rolling up his sleeves and can drill down into a transaction."

Over a video call from London—where darkness has fallen, and Teskey's plain white shirtsleeves are indeed rolled up—he says Brookfield is "the place I never want to leave."

His ascent has been rapid. Late last year, he added another title: president of Brookfield Asset Management, which oversees \$850 billion in assets. Combine that with his job as CEO of the renewables arm and he has established himself as a top lieutenant to Flatt—leading to speculation that he's a possible heir to the top job.

For now, he has his hands full raising billions in an environment shaped by rising rates, slowing growth, sluggish deal-making and escalating geopolitical strife. So far, Brookfield has largely shrugged off those headwinds, raising new funds briskly and relying on its locked-in contracts, some of which are tied to inflation and have helped prop up returns. But he acknowledges that Brookfield will "need to be razor-sharp about that discipline when times are a little bit more uncertain."

Of late, the Brookfield Renewable Partners share price has struggled, signalling that some investors are still hesitant. But at a presentation in September, Teskey tried to put to rest concerns about whether the renewables market can continue to expand as profitably as it has in the past. "The great news is the renewables market is so rich with opportunities, you can be disciplined without restricting your opportunity set," he says.

Brookfield's approach is likely to stay much the same, he says, and its appetite for deals is still growing. "There is so much room to go bigger." ●



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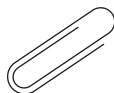




Give me paper or give me death

AI AND A HOST OF OTHER TECHNOLOGIES ARE SET TO UPEND THE LEGAL INDUSTRY—WHICH ISN'T EXACTLY KNOWN FOR ITS RAPID EMBRACE OF INNOVATION. IS IT TIME FOR FIRMS TO TRY AN ADAPT-OR-DIE MINDSET?

BY SIMON LEWSEN | ILLUSTRATION BY LUCA D'URBINO



PLUS THE TOP LAW FIRMS IN 31 CATEGORIES, AS RANKED BY THOUSANDS OF LEGAL PRACTITIONERS





When Susan Wortzman was a law student at the University of Manitoba, nobody taught her about hauling boxes. And yet this would turn out to be a key legal skill. Wortzman recalls her early days as an associate at Lerner LLP in Toronto. “I was carrying carts full of boxes up to the courthouse in the snow,” she says. “I kept thinking, *There’s got to be a better way of doing things.*”

The legal industry was addicted to paper. In the late ’90s and early 2000s, Wortzman worked on a major product-liability case. As with any lawsuit, the first step was discovery: the process of retaining and sifting through millions of documents—emails, memos, internal communications—in search of evidence. The materials were delivered by the truckload and deposited at the Lerner offices, which came to resemble the bathroom at Mar-a-Lago. “We had 150 people sorting through paperwork,” Wortzman recalls. The project took years, and may well have added hundreds of thousands of hours to the client’s bill.

Wortzman left Lerner in 2007 to start her own firm. There, she hired a small team to devise a faster discovery protocol, without paper and with various software programs—leased from external suppliers—to move the process along. Machines ran keyword searches, organized material by subject or type, and grouped near-duplicates (like emails from the same chain) into clusters, transforming a messy trove into a manageable cache. “The work doesn’t sound very technologically advanced today,” says Wortzman, “but it was better than printing emails and putting sticky notes on them, which is what lawyers were doing.”

In 2010, she started seeking other law firms to license out her e-discovery process, but initial uptake was slow. “People told me I was crazy to push e-discovery,” she recalls. “They said it wasn’t going anywhere.” In a world of digital technology and information overload, she wondered, could

lawyers really continue reviewing documents by hand? For some, it seemed the answer was yes. “If a case had 5,000 boxes of documents, they’d read through the 5,000 boxes,” she says. “How can you know you haven’t missed anything, they’d say, ‘unless you’ve had eyes on every file?’”

This response was both mystifying and predictable. The profession is often instinctively resistant to change. Sure, individual lawyers recognize the importance of innovation, but the industry as a whole remains reticent. A 2020 report by the information-services company Wolters Kluwer reveals that, although 76% of U.S. lawyers believe that investments in cutting-edge technology will keep their businesses competitive, only 28% expect their firms to actually make such purchases. And while 79% believe that clients today desire greater productivity at better pricing, only 28% think that such changes are in the offing. Even when lawyers know what they must do, they remain, collectively, unwilling to do it.

This bias isn’t merely cultural; it’s built into the structures of the industry, which seems like it was designed to protect incumbency. Even leaders who push for change can face massive institutional obstacles. Law firms, particularly the big ones, aren’t military helicopters; they’re ocean liners. “In law,” says Wortzman, “old habits die hard.”



Perhaps this has always been the case. Norman Bacal—a legal-industry analyst, mentor and former managing partner at the now-defunct Montreal firm Heenan Blaikie LLP—remembers in the ’90s when many lawyers refused to have computers at their desks. “Nobody saw the value,” he recalls. “People would say, ‘I don’t know how to type, and I don’t want to learn.’” Some would speak their notes into Dictaphones and have their secretaries transcribe the recordings. When Bacal banned Dictaphones, his staff was furious.

His story is hardly anomalous. When, in 1996, Richard Susskind, the famous legal-industry futurist, predicted that email would eventually become the dominant mode of communication among lawyers, the Law Society of England and Wales accused him, in his words, of “bringing the legal profession into disrepute.” Lawyers were similarly hesitant to switch out their BlackBerrys for iPhones or to adopt videoconferencing, until the pandemic made it necessary.

Now, seemingly every lawyer is talking about generative AI, which can draft documents or conduct preliminary research. But an AI revolution may not be coming any time soon. In law, chatter doesn’t automatically translate into action.

It’s not only technological change that lawyers eschew; it’s cultural change, too. Law firms are still dominated by powerful men, despite the growing consensus that an ethical business is also a diverse one. They still have a clannish boys’ club vibe: Partners meet with prospective clients at steakhouses, where they chat about golf and hockey. They still bill by the hour, even though this practice disincentivizes productivity and is roundly despised by clients. And they still operate according to a hierarchical model: Partners get rich by compelling their subordinates to work punishingly long hours.

This aversion to change has many antecedents. The profession likely selects for cautious people. The norms of the industry reinforce such risk aversion. The practice is precedent-based: A good legal argument is one that looks backward to pre-existing case law. And so lawyers are trained to make present decisions based on past standards—a healthy



impulse, but one that can discourage experimentation.

There's also the issue of reputation. In the tech industry, CEOs often brag about the risks they've taken and failures they've endured. For lawyers, such stories are a liability. Clients seek an advocate with a steady hand, not a maverick with a history of swings and misses. "Lawyers aren't just failure-averse, they're embarrassment-averse," says Jordan Furlong, a legal-sector analyst and founder of the consultancy Law21. "Whenever I suggest some kind of innovation to a law firm, they say to me, 'Where's the proof? Show me a place where this has worked before.'"

For all the problems the industry faces—gruelling hours, low staff morale—there's one it doesn't contend with: lack of money. Law firms bring in piles of cash. But this, too, can be a barrier to change. Almost without exception, the key decision makers at large and even midsize firms are incredibly affluent. Why would they seek to reform a system that works so well for them? "It's hard to tell a room full of millionaires," says Furlong, paraphrasing Susskind, "that their business model is wrong."

But while plenty of money comes in, not much of it stays behind. Law firms aren't corporations; they're partnerships. They don't normally have CEOs, boards of directors or retained earnings. All the profits they make in a given year get distributed among the partners, most of whom, says Furlong, are perfectly comfortable with this arrangement.

But without retained earnings, there's little money for big-ticket innovations. There aren't many good ways to raise money, either. Law firms can't have public shareholders or investors. Only lawyers are legally allowed to own equity in a firm, which means there's no way to spread risk to outside parties. Innovation happens in industries that are scrappy, entrepreneurial and eager to make compelling pitches to venture capitalists. Lawyers are often careful, reputation-

conscious, and comfortably well off. Beyond taking out a bank loan or dipping into profits, they have few means of financing large capital projects. Is it any wonder the industry remains hidebound?



When Louis Frapporti became managing partner for the Hamilton office of Gowling WLG in 2016, he decided to push back against that mentality. The changes he sought were more cultural than technological: He wanted to reimagine the way advocates engage with clients. "As lawyers, we tend to be task-based," he says. "We sit in an office. We wait for a call. Eventually, hours are billed, and the task is done." He believed there was a better way. "The more highly valued, differentiated advisory work," he adds, "the work that consulting firms like Deloitte and KPMG and McKinsey do, centres on providing proactive rather than reactive advice." Instead of waiting for opportunities, lawyers could create them.

But to do that, they'd have to know their target clients well, which is difficult, given that lawyers are often sequestered in downtown offices far removed from their clients' places of business. Since the early 2000s, Gowlings had occupied a 1928 bank building at one of Hamilton's busiest intersections. But the lease was due to expire in 2022, and Frapporti had an unconventional idea for where the firm might go: the McMaster Innovation Park, a 60-acre campus associated with the city's largest university, where entrepreneurs and researchers create market-ready products. (Residents include Canmet Materials, a federal operation dedicated to materials discovery, and the McMaster Automotive Resource Centre, a leading developer of electric-vehicle technology.)

Frapporti figured that Gowlings, with its expertise in intellectual property and corporate law, could be an asset to Innovation Park tenants. He imagined a future in which the firm's lawyers would share meals or after-work drinks with their neighbours, dispensing off-the-cuff advice on marketization (to sell or lease a product, one first needs to incorporate) or differentiation (to patent a technology, one must demonstrate that it's unique). These conversations might be openings to a more trusting, durable and mutually beneficial relationship than the typical lawyer-client interaction. "Progress is made," says Frapporti, "when people working in related fields can collide with one another."

Not everyone was as keen on this notion. "A lot of my colleagues loved the old offices," Frapporti says. "They would say, 'My practice is great, Lou. I'd like to stay here.'" As a policy, Gowlings didn't invest in fixed assets like buildings. Would partners have their annual draws diluted to finance the build? Why would they agree to such a proposal? And what if the complex got sold decades later? Who'd get the equity?

To make his case, Frapporti got creative. He



found a developer who was willing to put up the building specifically for Gowlings and then step in as a landlord. To his colleagues, Frapporti talked up the advantages of the Innovation Park locale—safety, security, ample parking.

In late 2018, he presided over a merger between Gowlings Hamilton and the local firm ESB Lawyers, which had deep connections to the entrepreneurial and academic communities. The increase in staff made staying at the bank building untenable. “We were forced to confront the issue of new space,” says Frapporti.

Eventually, Gowlings signed a tentative agreement to relocate to the Innovation Park. Enthusiasm was still mixed, but the move appeared to be underway. When Frapporti thinks back to the late 2010s and the various strategies he used to win over skeptics, he realizes he sometimes dodged the most salient arguments, focusing on prosaic benefits instead of fully making the case for innovation. “I just wanted the move to happen,” he says. It didn’t occur to him that future events might scuttle the plan entirely.

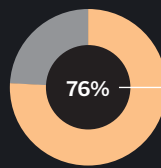


There’s no way around it: In law today, old ideas have a built-in advantage, and the person making the case for change will always have a tougher argument than the one who defends stability. But for some changemakers, the industry’s precedential bias can be an asset. If, as an innovator, you can demonstrate that your way of doing things really is better—so much so that it’s worthy of being a new industry norm—you can reap substantial rewards. The same cultural forces that favour tradition will eventually favour you.

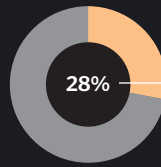
Benjamin Alarie is a professor at the University of Toronto Faculty of Law and co-founder of the tech startup Blue J, which uses AI and predictive software to analyze tax-law matters and anticipate likely case outcomes. In his academic and entrepreneurial roles, Alarie has observed the cycles of industry change up close.

He agrees that lawyers often approach new ideas with wariness, but he adds that, when they finally come around, they do so decisively. “Lawyers always take a close second look at things before they adopt,” he says. “But then the adoption can be extremely rapid. I’ve had conversations with other founders of legal-tech companies, and they’ve said, ‘If you get five of the top 100 firms on your side, you will have 80 or 90 of them in a couple of years.’ It’s not easy to get the first five, though. You have to make your case satisfactorily.” (To date, Blue J has raised over \$30 million in investments and has added more than 300 subscribers in Canada, the United States and the United Kingdom.)

For Jack Newton, founder and CEO of the legal-tech company Clio, “making the case” required extreme forbearance. He had to repeatedly defend ideas that to him were self-evident. Clio’s software



U.S. lawyers in a 2020 survey who believed investments in cutting-edge technology will keep their businesses competitive



Portion of those lawyers who expected their firms to actually make those purchases

package enables law firms to input and store a range of data, from client intake and contact management, to hour tracking and billing. When the product first came out in 2008, it had what Newton thought was an obvious edge on its clunky competitors: It was elegant and user-friendly. It was also the first such program to store data in the cloud, a benefit that, initially, seemed more like a liability.

Simply put, cloud storage freaked lawyers out. Where did the data go? Was it secure? How could anybody really know? Law societies and bar associations released strongly worded guidelines, warning practitioners of the risks and counselling them to conduct ample due diligence. “These organizations can create a lot of fear, uncertainty, and doubt,” Newton says.

The associations weren’t urging the same degree of caution when it came to on-premises computing, the standard way of doing things, which, in Newton’s opinion, was wildly inferior. “The cloud-computing providers are renting capacity from the likes of Amazon and Google,” he says. “The servers are in remote, bomb-proof bunkers that are secured with biometrics. In the early days of Clio, we’d talk to solo and small firms that were concerned about storing data in the cloud. But their servers were in broom closets accessible to office staff and cleaners.”

The situation rankled. A new system was getting heavily scrutinized simply because it was new; an old system was getting shielded from scrutiny simply because it was old. Newton realized that he had to defend his business plan as fulsomely as possible. “We jumped into action and started educating people,” he says. “We developed an industry group called the Legal Cloud Computing Association. I got on the speaking circuit and gave as many talks as I could. I made what was then an audacious-sounding claim: that the cloud is more secure than almost any on-premises system.”

Over time, opinions changed. “In specific geographies, we saw things explode,” Newton recalls. In 2009, Clio got its first customer in the State of Oregon. By 2011, it had 200 clients in the state. That number doubled the next year and the year after that. Soon, Clio had a critical mass in the Pacific Northwest. Things moved slowly, then dizzily fast.

Word-of-mouth was Clio’s biggest asset. “There’s a narrative about how lawyers are averse to technology,” says Newton. “But once you’ve built that initial momentum, they will shout from the rooftops and recommend you to all their colleagues.” When Clio debuted its product, the status-quo bias made selling it incredibly difficult. By the 2020s, they had become the new status quo, which meant the benefits of incumbency were theirs to enjoy. “Clio is the most-used piece of cloud-based legal technology in North America,” says Newton. “It took us 15 years to get here.”

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Clearly, legal innovation requires persistence and time. It's not impossible, but neither is it easy. If the industry is to become more nimble, it won't only need a change in culture. The business model needs an upgrade, too.

The national Canadian firm McCarthy Tétrault LLP offers an example of what such an upgrade might look like. McCarthy is a partnership, but it resembles a corporation. "Most of our partners are focused on the practice of law, not the business of law," says Matthew Peters, the firm's national innovation leader. Business decisions are made instead by the leadership team, which includes the usual C-suite positions, and is comprised not only of lawyer-partners but also of HR professionals, project managers and accountants.

Partners hold equity in the firm, but leaders run the shop. At McCarthy, these groups overlap somewhat, but they aren't interchangeable. Because the firm has separated leadership from ownership, it's able to move more rapidly than many of its competitors. "Our CEO and board are empowered to make fast decisions," says Peters. "When we need to pick a new carpet for the office, we don't poll our 200 partners about their favourite colours." (Other law firms have managerial committees, but these are typically made up entirely of partners. They don't have the independence that McCarthy's leadership team enjoys.)

Of course, prospective innovations are still hotly debated. But they're debated on the merits, and they're less likely to be sabotaged by equity-holders who are seeking, primarily, to safeguard their annual draws. When a decision makes obvious sense, it gets waved through briskly. During Peters's tenure, the firm started measuring net promoter scores: Clients are asked to rate, on a one-to-10 scale, their likelihood of recommending McCarthy to others. The firm also began storing client data via Salesforce, the Silicon Valley company that specializes in customer-relations-management software. These innovations may seem commonplace, but in law they stand out. "We're hardly the first organization in the world to use Salesforce," says Peters, "but we're the first law firm in North America to use it company-wide."

In 2016, Dave Leonard, the CEO of McCarthy, was having lunch with Susan Wortzman when she mentioned she was in talks with a major accounting firm that wanted to acquire her company. Leonard saw an opportunity, and within weeks he'd come back to Wortzman with a better offer. Her firm, renamed MT3, is now a division of McCarthy, and its e-discovery protocol is vastly more sophisticated than it was a decade ago. When conducting discovery, lawyers on Wortzman's team read through a small sample of the existing documents; then they train AI to distinguish between relevant and irrelevant materials. Today, McCarthy provides MT3 services to its competitors. "It's been a

fantastic differentiator for us," says Peters.

Will other firms seek to differentiate themselves in a similar manner? There's no shortage of opportunities. Law firms could use automated documentation technology to reduce the cost of basic legal services, like generating a will or filing for divorce. They could abandon the billable hour once and for all; using machine learning, they could predict the cost of a given case and then charge clients a flat fee. They could also invest in predictive software to estimate the likely course of a given matter: How many motions will be filed? How long will the process take? What are the odds of success?

In the past few years, numerous startups have adapted generative AI to the needs of the industry. Spellbook, from St. John's, uses predictive text to speed up writing documents. Alexi, from Toronto, uses large language models to draft legal memos, which lawyers can then review for accuracy and relevance. Alarie's company, Blue J, has introduced a chatbot that answers tax-law questions with surprising accuracy and concision. Each organization is seeing promising levels of early adoption, but does the provisional success of a few startups portend a larger technological revolution in law?

Furlong isn't optimistic. "The current business model is very familiar and very profitable," he says. "Partners like to get all their money. Once that's hooked into their veins, it's hard to let go. Plus, the risk and hassle of innovation doesn't come close to outweighing the potential rewards. Is the legal industry great? No. But it's fine. And those who make money off of it make a ton. This situation will continue until some truly significant force acts upon the market."

It's not clear what such a force might be: perhaps a recession that makes efficiency gains necessary or a change in legal-industry work culture as Gen Z comes of age. Even the pandemic wasn't disruptive enough to effect major change. Sure, it normalized videoconferencing and remote work, but these were lifestyle and workflow innovations; they weren't a radical new approach to the practice of law. And COVID-19, in other ways, perhaps made the industry more innovation-averse, by reducing the number of in-person interactions—the kind that nurture creativity.

For Frapporti, COVID was the proximate—if not the only—reason the planned move to the Innovation Park fell through. Supply-chain disruptions made the proposed build vastly more expensive. Construction delays ensured the offices wouldn't be completed by the 2022 move-in date. And the advent of remote work meant that, despite its growth, Gowlings didn't need to relocate to bigger premises after all.

Frapporti still works in unconventional ways. Drawing on the firm's international roster of clients, he does what he can to foster synergy: He connects philanthropic organizations to corporations with money to give, and he brings business owners from around the world to Hamilton to learn about local investment opportunities. These activities are pro bono, but they strengthen the Gowlings brand over time. Frapporti, in short, is seeking to model the proactive approach to law he'd hoped to foster at the Innovation Park. That specific dream, however, is over.

He's grateful to the partners who supported the plan, but he now realizes not everybody came around to his vision. "To build consensus," he says, "you have to invest more time than I did." In the end, Gowlings renewed its lease at the bank building. The team still works there, beneath ceiling girders that are nearly a century old.



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BY GAIL J. COHEN

Aboriginal & Indigenous Law

OLTHUIS KLEER TOWNSEND
TORONTO, YELLOWKNIFE
43 LAWYERS

Olthuis Kleeer Townshend has some of the deepest expertise in Aboriginal law in the country, including treaty rights, land claims, legislation, self-governance, human rights, business law and economic development, plus litigation. OKT lawyers represent the Saugeen Ojibway Nation in an ongoing case over water and land claims relating to 1.5 million acres, including the Bruce (Saugeen) Peninsula. The firm also acted for First Nations in a now-settled class action over drinking-water advisories on reserves across the country. The firm is committed to

training and developing Indigenous lawyers, and many of its practitioners hail from Indigenous communities, including managing partner Renée Pelletier. Justice Harry Laforme, the first Indigenous judge at the Ontario Court of Appeal, is a senior counsel at OKT.

Administrative & Public Law

PALIARE ROLAND ROSENBERG ROTHSTEIN
TORONTO | **50 LAWYERS**

Paliare Roland Rosenberg Rothstein's lawyers have played prominent roles in some of the most high-profile public inquiries in Ontario, frequently as counsel to the commissioner or leading the inquiries. The firm includes noted litigators Linda Rothstein, Chris Pali-

are, Jean-Claude Killey and Rob Centa, who've participated in significant proceedings, including the Ottawa LRT, Walkerton, Ipperwash and pediatric forensic pathology inquiries. The boutique litigation firm is also often called in by other firms to resolve internal disputes and works with regulators on professional misconduct cases.

**Banking & Finance |
Competition, Antitrust & Foreign
Investments, | Corporate &
Commercial | Infrastructure Projects
| White-Collar Crime**

BLAKE, CASSELS & GRAYDON

VANCOUVER, CALGARY, TORONTO,
OTTAWA, MONTREAL, NEW YORK,
LONDON | **750 LAWYERS**

Blake, Cassels & Graydon is one of Canada's most storied firms—it was founded in 1856—and consistently ranks No. 1 in the broad area of corporate and commercial law. Its financial services practice, led by Paul Belanger, is one of the largest in the country, counting most of Canada's big banks as clients (CIBC has been a client since Edward Blake incorporated its first iteration in 1867). Last year, the group represented RBC when it acquired HSBC Canada.

Blakes' competition, antitrust and foreign investment team has a track record in high-value, multijurisdictional merger-clearance filings, and advises on foreign direct investment filings, antitrust inquiries related to price-fixing cartels, and abuse-of-dominance cases at the Competition Bureau. It was Canadian counsel to VMware on aspects of its US\$61-billion acquisition by Broadcom.

The firm's integrated corporate-commercial team has clients in key sectors, including automotive, food, retail and tech, dispensing advice on governance, mergers and acquisitions, procurement and more. The team includes John-Paul Bogden in Vancouver, who works with tech clients on domestic and cross-border M&A deals, and Calgary litigator David Tupper.

Blakes also specializes in domestic, cross-border and international large-scale infrastructure and public-private partnership (P3) transactions, including transit, roads, bridges, ports, health care, power, water and waste, airports, telecom and more.



Blakes' business crimes, investigations and compliance practice, meanwhile, has significant experience defending white-collar-crime enforcement actions, conducting domestic and multijurisdictional internal investigations, defending against class-action litigation resulting from white-collar prosecutions, and designing and assessing compliance programs. The 27-lawyer team, led by Calgary partner Mark Morrison, is noted for its expertise relating to corruption of foreign public officials. Morrison was recently appointed independent compliance monitor in criminal cases involving SNC-Lavalin's activities in Libya and in connection with the refurbishment of Montreal's Jacques Cartier Bridge.

Cannabis

CASSELS BROCK & BLACKWELL VANCOUVER, CALGARY, TORONTO 325 LAWYERS

Cassels Brock & Blackwell's 35-strong cannabis team offers a broad range of commercial advice, from intellectual property to securities law, regulatory issues, financing, branding and celebrity endorsements. At the forefront is group co-chair Jonathan Sherman, who acts for Canopy Growth on corporate, commercial, securities and M&A matters, with transactions valued at more than \$5 billion. Cassels also advised Leef Holdings in a US\$120-million reverse acquisition by Icanic Brands.

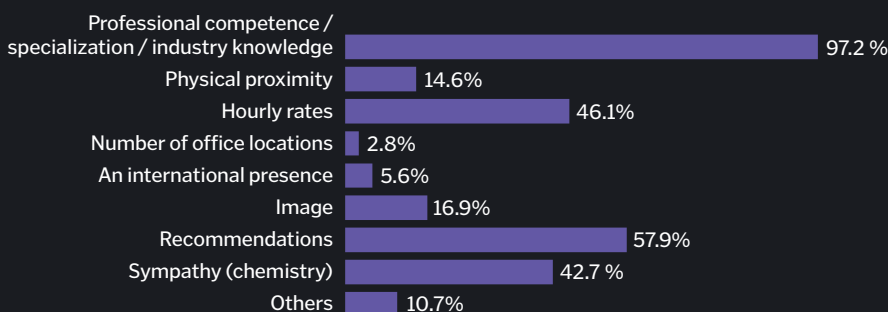
Capital Markets | Mergers & Acquisitions | Private Equity & Investments

STIKEMAN ELLIOTT VANCOUVER, CALGARY, TORONTO, OTTAWA, MONTREAL, NEW YORK, LONDON, SYDNEY | 550 LAWYERS

Stikeman Elliott is frequently involved in some of Canada's largest debt and equity offerings, with securities expertise in private placements for early-stage issuers through to complex multijurisdictional public equity and debt offerings. According to the firm, Stikeman pioneered a number of novel securities structures for the Canadian market, including some of the earliest REITs, income funds and special-purpose acquisition companies (SPACs).

Its active M&A team, meanwhile, has

Which of the following aspects do you consider important when choosing a law firm?



acted on many of the country's largest transactions, both contested and friendly, including Teck's ultimately unsuccessful sale of its steelmaking coal assets to Swiss giant Glencore. Clients of its private equity group include venture capital and pension funds, merchant banks, hedge funds and investors, as well as founders and management teams seeking investors.

Some of its corporate practitioners include chair Jeffrey Singer, and John Laffin and Jeff Hershenfield, who co-lead its capital markets and public M&A group.

Construction | Cyber Security & Data Protection | Transportation

BORDEN LADNER GERVAIS VANCOUVER, CALGARY, TORONTO, OTTAWA, MONTREAL | 800+ LAWYERS

Borden Ladner Gervais—created in 2000 through the merger of five storied firms—is one of the country's largest full-service business firms. Its 71-lawyer construction law group handles all aspects of the industry, including infrastructure, P3s and large commercial projects, as well as related disputes. Led by Calgary's Patricia Morrison, the group's clients include project owners, engineers, architects, insurers, contractors, suppliers, developers and financial institutions. A few examples: BC Hydro, Canada Infrastructure Bank and NouvLR, the group building Montreal's light-rail system.

Its 50-lawyer cyber, privacy and data protection group—co-led by Daniel Michaluk in Toronto and Bradley Freedman in Vancouver—has extensive experience in cyber-risk and crisis management for financial and aca-

demic institutions, and technology, entertainment and retail companies.

BLG notes it's the only firm in Canada with a fully integrated national transportation practice, a multidisciplinary team of 65-plus lawyers recognized for its work in disputes, regulatory, environmental and transactional aspects of all modes of transportation, including autonomous vehicles. It serves major railways, urban transit authorities, shipping lines, trucking companies, marine terminals, insurers and airlines.

Criminal Law

ADDARIO LAW GROUP TORONTO | 9 LAWYERS

Defence counsel Frank Addario's eponymous firm practices criminal, regulatory and constitutional law, representing clients during investigations, at trial and on appeal. Addario has acted on dozens of high-profile cases; last year, he won acquittal for former CannTrust Holdings CEO Peter Aceto on fraud and securities offences. He also represented intervenor Criminal Lawyers' Association in one of the most impactful Supreme Court of Canada cases, *R. v. Jordan*, which introduced a new set of timelines for the hearing of criminal cases in Canada.

Dispute Resolution (Litigation, Arbitration & Investigations)

LENCZNER SLAGHT TORONTO | 90+ LAWYERS

Lenczner Slaght is a go-to firm for complex and bet-the-company litigation, with leading practitioners like Tom Curry, Peter Griffin, managing partner

Monique Jilesen and former Supreme Court justice Ian Binnie on the roster. Its lawyers litigate at every level in a wide range of areas, and it has governments, financial institutions, public authorities, corporations, boards and commissions as clients. The firm consistently innovates through both technology (Data-Driven Decisions and commercialist.com) and diversity and inclusion (ReferToHer, resumé anonymization in hiring).

Energy & Natural Resources (Mining, Oil & Gas)

BENNETT JONES

VANCOUVER, CALGARY, EDMONTON,
TORONTO, OTTAWA, MONTREAL,
NEW YORK | **500+ LAWYERS**

Bennett Jones—founded in 1922 by future prime minister R.B. Bennett—has been involved in almost every major energy development project in Canada in the past 20 years, from oil and gas to renewables, in areas including litigation, financing, real estate, labour, regulatory and Indigenous law issues. Its team includes highly respected energy partner Patrick Maguire, and the firm counts Canadian power giant Atco as a long-time client, a subsidiary of which recently signed a landmark energy partnership with the Chiniki and Goodstoney First Nations.

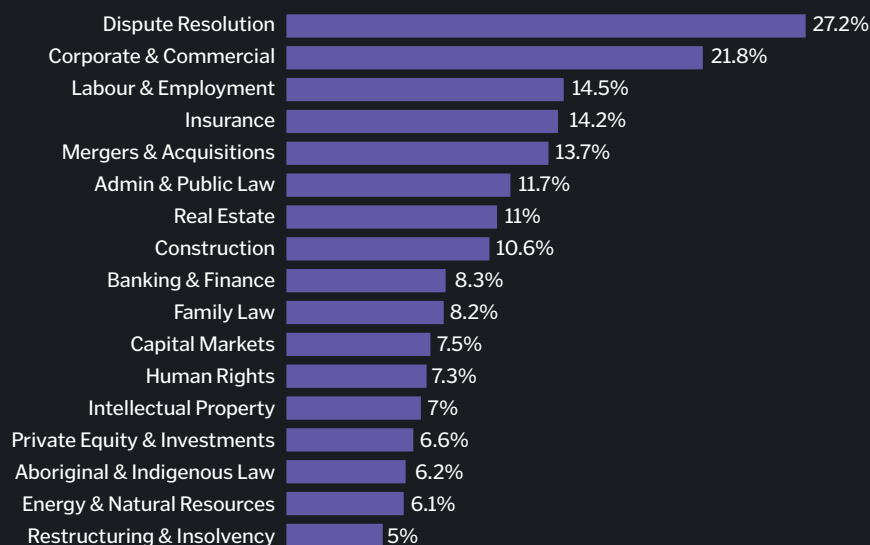
Environment

GOWLING (CANADA) WLG

VANCOUVER, CALGARY, WATERLOO,
HAMILTON, TORONTO, OTTAWA,
MONTREAL | **788 LAWYERS**

Gowling WLG's Canadian environmental law group is known domestically and internationally for its work on climate change, environmental negotiations and litigation, due diligence and risk assessments, regulatory compliance, waste management, and transportation of dangerous goods. Its climate and environmental group, which includes 30-plus lawyers, also works with many Indigenous organizations. The group is led by Adam Chamberlain, who has extensive experience in the Arctic, and includes Rod Northey, who was just retained by the city of Burlington, Ont., to oppose expansion of a gravel pit on the Niagara Escarpment. The international firm has offices in 19 cities across

Top areas of practice for respondents



nine countries and three continents.

Family Law

EPSTEIN COLE

TORONTO | **29 LAWYERS**

Epstein Cole, founded in 1978, is the largest family law firm in Canada, with an international reputation for handling sophisticated and difficult matters ranging from complex trust, property and support issues to international child mobility and abduction cases. Epstein Cole's lawyers have argued cases up to the Supreme Court of Canada, including, most recently, one about the best interests of the child and, notably, on the case that led to legalized same-sex marriage.

Health Care & Life Sciences

ROSEN SUNSHINE

TORONTO | **6 LAWYERS**

Founding partners Lonny Rosen and Elyse Sunshine opened their unique health and regulatory boutique firm in 2011. The duo has practised together since 1999 and are passionate experts in their field. Their small but mighty firm advises clients in the health and regulatory sectors, including professionals, health care providers, associations and regulators, and it frequently handles cases of alleged misconduct and privacy breaches before tribunals and courts. Sunshine also serves as the

independent complaints review officer for the Ontario Retirement Homes Regulatory Authority.

Human Rights

CAVALLUZZO

TORONTO | **30 LAWYERS**

Cavalluzzo was founded in 1983 by Paul Cavalluzzo, Jim Hayes and Elizabeth Shilton with a commitment to social justice and equality. It has boasted some of the country's top human rights, labour, employment and feminist lawyers, and has been involved in many groundbreaking human rights cases addressing racial and gender-based discrimination, and other equality-rights issues. Partners Cavalluzzo and Adrienne Telford represented multiple parties in a case where the Ontario Court of Appeal this year struck down as unconstitutional the Ford government's restrictions on third-party spending limits in elections. The firm was also counsel to the Association of Ontario Midwives in a precedent-setting appeal in 2022 on systemic gender pay discrimination in Ontario.

Immigration

GREEN & SPIEGEL

TORONTO; CLEVELAND; PHILADELPHIA;
PROVIDENCE, RI; VAIL, CO.; AMSTERDAM
20+ LAWYERS

Green & Spiegel is Canada's oldest



immigration law practice, providing a full range of Canadian and American personal and corporate immigration services for employers, temporary workers, individuals and their families. Led by senior partners Evan and Stephan Green, the firm was co-counsel for Thanh Tam Tran in the 2017 Supreme Court case that ruled conditional sentences don't count as jail time in cases where permanent residents convicted of a crime face the loss of their status in Canada.

Insurance

CLYDE & CO.

VANCOUVER, CALGARY, TORONTO, MONTREAL

2,400 LAWYERS WORLDWIDE

Clyde & Co.'s Canadian wing is part of a global firm with 60 offices on six continents and is a key part of its global insurance and construction practices. Clyde & Co. launched in Canada in 2011 through a merger with boutique firm

Nicholl Paskell-Mede. Since then, it has become a leader in coverage, litigation, corporate and regulatory matters for domestic and international insurers, as well as gaining a strong reputation for professional defence. Montreal-based litigator Carolena Gordon is the firm's senior partner, the first woman and person outside the U.K. to hold that top management position.

Intellectual Property

SMART & BIGGAR

VANCOUVER, CALGARY, TORONTO, OTTAWA, MONTREAL | **125+ LAWYERS**

Canada's largest IP firm recently got even bigger through a 2022 merger with Ridout & Maybee. The two firms, both dating back to the 1890s, are now part of the Australian publicly traded patent and trademark group IPH Ltd. The firm says it has filed more patent and trademark applications than any Canadian firm. Its stellar lineup includes IP strategist Daphne Lainson and litigator

Steven Garland, who represented Dow Chemical all the way to the Supreme Court in the largest Canadian patent infringement award in history.

International Trade | Real Estate | Technology

MCCARTHY TÉTRAULT

VANCOUVER, CALGARY, TORONTO, MONTREAL, QUEBEC CITY, NEW YORK, LONDON | **700+ LAWYERS**

Recognized as one of the top international trade-law practices in the country, McCarthy advises on trade remedies such as anti-dumping and countervailing actions, customs and tariff regulation, government procurement, anti-bribery legislation, and import and export transaction controls and trade embargoes. The team is led by John Boscarol, whose expertise makes him a sought-after speaker and writer on international trade-related issues.

McCarthy's commercial real estate group—consistently ranked as the best

Roper Greyell is one of the most well-respected and recognized workplace law practices in Western Canada. We focus on understanding our clients, their businesses, and the evolving trends and issues within their industries.

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EMPLOYMENT + LABOUR LAWYERS



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in Canada—advises on a complete spectrum of real estate transactions, from purchase and sales to leasing, financing and development for REITs, private investors, financial institutions and pension plans. Group leader John Currie's clients include Slate Asset Management, RBC and Scotiabank.

The firm's technology group acts for a broad array of players in software, hardware, e-commerce, fintech, aeronautics, biotech, life sciences, IT services and data management. Christine Ing heads the group and was part of the team that recently advised Corus Entertainment on the \$147.5-million sale of subsidiary Toon Boom Animation to Integrated Media. The group also includes Barry Sookman, one of the country's pre-eminent authorities on IT and intellectual property law.

Labour & Employment

FASKEN MARTINEAU DUMOULIN

VANCOUVER, SURREY, CALGARY, TORONTO, OTTAWA, MONTREAL, QUEBEC CITY, LONDON, JOHANNESBURG
950+ LAWYERS

Fasken Martineau DuMoulin is not only Canada's largest law firm but also boasts one of the biggest national labour and employment practices, coled by partners David Wong in Vancouver, Karen Sargeant in Toronto and Stéphane Fillion in Montreal. The 132-lawyer team helps clients with collective agreements, risk management and compliance programs, as well as representing clients like Air Canada before tribunals and courts. The group also plays a key role in deals, both national and cross-border, for clients like Pierre Karl Péladeau in Quebecor's March purchase of the Montreal Alouettes football club.

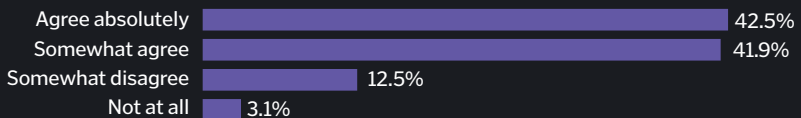
Media, Entertainment & Sport

GOODMANS

TORONTO | **200 LAWYERS**

Goodmans, established in 1917, has one of the leading practices in Canada dedicated exclusively to film and television, sports, digital media and book publishing. The firm provides advice, including financing, mergers and intellectual property, for studios such as Amazon, Paramount, Warner Bros. Discovery, Disney, Netflix and Apple. Canadian-

Has the legal profession made progress in terms of gender and ethnic diversity in the past decade?



ans represented include Bell Media, Blink49 Studios, Corus Entertainment and the Writers Guild of Canada. David Zitzerman, who has practised entertainment law exclusively for 25 years, heads the group.

Restructuring & Insolvency

OSLER HOSKIN & HARCOURT

VANCOUVER, CALGARY, TORONTO, OTTAWA, MONTREAL, NEW YORK
450+ LAWYERS

Osler Hoskin & Harcourt's restructuring and insolvency team advises all players in complex business-critical matters, from purchasers of distressed assets and loans to bondholders, directors, senior executives, in-house lawyers and investors. Marc Wasserman, national chair of the 46-lawyer group, has clients including Credit Suisse, Sears Canada and Just Energy Group. Also on the team are highly regarded partners Tracy Sandler, who has han-

dled mandates for Target, GM and Canwest, and Montreal office managing partner Sandra Abitan. As for the firm overall, its roots date back to pre-Confederation days.

Tax

THORSTEINSSONS

TORONTO, VANCOUVER | **60+ LAWYERS**

Thorsteinssons is the largest firm in Canada that practises nothing but tax law, from tax planning to compliance, and at all levels of court. Its clients include multinationals in a broad range of industries, including aerospace, defence, pharmaceuticals, financial services and natural resources. Thorsteinssons' team includes top-ranked tax litigator Matthew Williams, who recently represented the Canadian Bankers Association in the Supreme Court case Canada v. Loblaw Financial Holdings, about taxes on income earned by foreign subsidiaries. :

Methodology

Nearly 25,000 lawyers, along with in-house counsel and legal executives across Canada, were actively invited to take part in the survey. The sample was collected via research conducted by Statista on company websites and other publicly available sources. Invitations were sent by email with a one-use-only personalized link.

In addition, lawyers and clients could participate via an open link. In these cases, the participants were required to validate themselves by providing a personal company email address before their answers were included in the evaluation.

The survey, available in English and French, was conducted online between May 16 and July 11, 2023, and more than 3,100 practitioners responded. Statista recorded more than 10,000 recommendations for firms in the different fields of law. Self-recommendations (or recommendations of one's own law firm) were prohibited, and these recommendations were not included.

The participants were also asked to answer some optional editorial questions. There was also an opportunity to answer questions specifically focused on developments in the Canadian legal world.

Canada's best law firms were identified in 31 different fields, based on the number of recommendations they received for a respective legal field.

The lists of the top law firms in the various categories were determined after careful examination, based on the available data. The research team endeavoured to be as complete in its reach as possible, within reasonable means. To view the complete list of winners, please visit tgam.ca/bestlawfirms.

About Statista: Statista publishes worldwide established rankings and company listings with high-profile media partners. This research and analysis service is based on the success of statista.com, a leading data and business intelligence portal that provides statistics, business-relevant data, and various market and consumer studies and surveys. For information about the methodology, please contact bestlawfirms-canada@statista.com. To license the award logo, please contact evan.tobias@statista.com.

Congratulations to these recent appointees

Andrew Saunders, President and CEO of The Globe and Mail, extends best wishes to the following individuals who were recently featured in the Report on Business Section of The Globe and Mail newspaper. Congratulations on your new appointments.




Antoine Bernet
to President & CEO of
Bayer CropScience Inc.
and Senior Bayer Rep.
for Canada
Bayer Canada



Viktoria Friedrich
to President and
General Manager of
Bayer's Pharmaceutical
division
Bayer Canada



Sal Iacono
to President and
CEO
Cadillac Fairview



Angela Simo Brown
to President and
CEO
Capitalize for Kids



Valéry Zamuner
to Senior VP and
Chief Corporate
Affairs and Legal
Officer
Cogeco



Susan Streeter
to CEO
Comark Securities
Inc.



Dr. Rustum Southwell
to Chancellor
Dalhousie University



Valérie Lavoie
to Chair of the Board
of Governors
Insurance Institute
of Canada



Jeff Hauswirth
to Partner in the
firm's North American
Real Estate & Board
& CEO Practices
Odgers Berndtson



**Dr. Benoit-Antoine
Bacon**
to President and
Vice-Chancellor
The University of
British Columbia



David Weyant
to Board of Directors
Wawanesa
Insurance

No other media company provides the prestige of The Globe and Mail. For decades, our Appointment Notices have been vital to introduce key personnel to Canada's business leaders and decision makers. Our integrated Appointment Notices package includes high profile features in Canada's #1 National newspaper, #1 business magazine and across our Digital platforms. Connect with Canada's business community and showcase the outstanding talent that contributes to your organization's success.

Your appointment notice will be reaching 633,000 average weekday print readers, 1.7 million average weekend print readers, 847,000 Report on Business Magazine readers and will appear online for 30 days. As an added bonus a complimentary plaque will be sent to the new appointees.

Source: Vividata SCC Fall 2023, Total National



Food for thought

Kirstin Beardsley, the CEO of Food Banks Canada, says the affordability crisis means her organization is more crucial than ever

Food banks aren't that old in the social-service landscape—the first food bank in Canada was started in Edmonton in 1981. And it sparked across the country because so many people were in dire straits. No one ever thought food banks would be a permanent solution. The sense was, they would respond to this emerging need, collect some data to show where the needs were, and food banks would be able to close.

Instead, we're seeing the highest level of food-bank use in Canadian history. And that's the result of decades of neglect of our social safety net and income supports. And that's meeting right now with the affordability crisis. The solution is long-term policy change. We need governments to have the courage to address issues that have been neglected for decades. And in the meantime, we need a strong food banking system in Canada.

The impact of hunger is felt at the individual level, at the community level, and at the societal level. We've seen studies about the impact of food insecurity on kids' mental health, on their long-term physical health, on their behaviour. So the impact on the lives of individuals cannot be dismissed.

1,935,911
Food-bank visits
across Canada in
March 2023, up
32%

Highest mark
on Food Banks
Canada's poverty
report card
QUEBEC

B-

Lowest mark
NOVA SCOTIA

F

We're seeing the highest level of food bank use in Canadian history right now

But then there's also the societal piece. What sort of possibility as a country are we depriving ourselves of when people are having to turn to food banks instead of being able to buy the food they need for their families? It's a long-term cost for our ability to thrive as a country. And I wish we would think of that as we're building government policy responses. It's an investment in our ability to thrive as a country when we take care of people during tough economic times. We can't only see how much that costs; we have to see how much it costs not to do that.

We released our first-ever poverty report cards, and what they really showed was that every province, every territory and the federal government have a lot of opportunity to invest in doing right by our neighbours to build a Canada where everyone has an opportunity to thrive. It's not a report card you'd want to take home to your parents. No jurisdiction got an A+. And many got Ds.

What gives me hope is being able to work with food banks right across the country. I get emotional when I talk about how they just don't quit. My hope comes from being able to witness the strength of folks who look at a pretty tough set of challenges, and instead of turning away, their instinct is to roll up their sleeves and continue to work as hard as anybody's worked. It's inspiring to play even a small part in supporting that nationally.

There's a role for every single person to play in addressing food insecurity. That can mean learning more about the issues and talking to our kids about them. It can mean participating in food drives or advocating for long-term policy change. But everyone has a role to play in addressing this issue and seeing our vision of a Canada where no one goes hungry come true.

/Interview by Alex Mlynek

I DIDN'T
COME TO IVEY
TO CHANGE
MY LIFE

I CAME TO
CHANGE
THE WORLD.

Fenton Jagdeo, HBA '16,
Entrepreneur, Investor, Professor

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OF CITIES AT [IVEY100.CA](https://ivey100.ca)

THE FUTURE WE SEE





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Introducing the Lexus TX, the three-row SUV that treats every seat like the best seat. Experience next-level adventure complemented by best-in-class third-row spaciousness, an unmatched driving experience, and incredible all-wheel handling.

LEXUS
TX