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B.C.'s Best CEOs

It's tough out there.

The cautious mentality we criticized ourselves for in the 1990s has cushioned Canada from the worst of the bubble backlash, but since 87 per cent of our exports go south, contagion and decline is unavoidable. Here in B.C. the tech sector we once looked to for rescue from our troubled resource base has dimmed, and even a business-friendly government has been unable to spur new investment.

Always, and particularly in times of trouble, we look to our leaders. Who, will lead business through these times?

We didn't have to look far. Despite a difficult environment, some of the greatest success stories are unfolding right here in B.C.

by Lori Bamber photographs by Paul Joseph 

[leadership]

These leaders are inspiring, instructional and world-class. Rather than growing share price through the top-line at the cost of once-great companies, some of the world's most capable CEOs have been quietly at work here at home, eschewing exorbitantly priced, investment bank-driven acquisitions and building strong, successful organizations.

Space constraints being what they are, when *BCBusiness* decided to feature its picks for the six most capable of this province's many capable CEOs, we knew it would require measuring more than organizational success. As the lead author of the best-selling *50 Best Stocks for Canadians* series (published by Wiley Canada) I do in-depth research on more than 2,000 companies annually, and began, therefore, with B.C.'s best companies as measured by financial performance against their peer group. But while performance is critical, when measuring the success of leadership, it is merely a baseline. It wasn't enough to have succeeded – this accomplished group has succeeded while meeting grave challenges and sea changes in their sectors. It wasn't enough to have grown share price, revenues and profits. We looked for organizations in which all stakeholders – employees, investors and community – were reaping the benefits of success. Finally, we

looked for examples of great leadership by sector: large cap multinationals, small cap, old industry, technology, healthcare, not-for-profit, and resource-based.

To do that, we went to the people whose business it is to know company culture and financial reports alike – the Lower Mainland's top headhunters. So, we asked, who are we looking for?

Garth Pinton, a partner at Pinton Forrest & Madden, told us: "Today's leaders . . . need to not only see the vision but be able to convey it to the troops, so they too buy in and make the necessary changes. The successful CEO will ask for the help of their employees, not simply mandate from above. Creating excitement for the new vision is key to success."

In short, the day of the 'scorched earth' CEO is past.

UBC professor Peter Frost, author of *Toxic Emotions at Work*, puts it this way. "In order to unleash the hidden value in any

organization, you have to put people first. The best leaders create and embody cultures that unleash the intellectual and emotional energy of their people."

How do you do that? Doug Whitehead, CEO of Finning International, puts it this way: "It's about getting great results and allowing your people to take full responsibility and credit for those results. There is an element of challenging the status quo – it's necessary, but incomplete. You have to sketch out a vision for the future, and let your people paint the colors. It's about providing support, coaching, generating ideas and overarching goals – and then getting out of the way."

Don Prior of Caldwell Partners raises the bar even higher. "Great CEOs are people builders – you can identify them by the great people around them. And in addition to leading successful organizations, they are leaders in their communities."

In a time of economic bleakness and geopolitical uncertainty, after three years of declining markets, there is perhaps nothing more heartening than the knowledge that there are leaders of this ability hard at work – right here in British Columbia. So, here they are, B.C.'s best CEOs. »

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—Tony Guglielmin





Doug Whitehead

President and CEO – Finning International

When I included Vancouver-based Finning International in *The 50 Best Small Caps for Canadians 2002*, which went to print in July 2001, I hedged my endorsement: “It’s difficult to say what will happen [to Finning’s performance] as a result of the latest economic slowdown.”

Sure, the financials were impressive. By the time this heavy equipment distributor moved into *The 50 Best Stocks for Canadians 2003*, it boasted 10-year average annual revenue growth of 17 per cent and earnings per share growth of 147 per cent. Shareholders holding the stock for 10 years had been rewarded with an average annual return of 17 per cent. But the global economic slowdown was still out there. When would revenues slip, profits shrink?

In January 2003 Finning issued its results for 2002. The emphatic answer: Not yet. Despite a trying environment in almost all its markets and slightly lower revenues (\$3.2 billion or one per cent less than in 2001) Finning achieved record profits and cash flow.

Finning International is beloved by analysts not simply because of its performance, but because of its transparent, detailed reporting. In *Canadian Business* magazine’s August 2002 report on corporate governance, *The Best and Worst Boards in Canada*, Finning ranked third best. Moreover, there are solid performance factors behind the numbers: service and rental operations accounted for 54 per cent of revenues in 2001, up from 37 per cent just five years before, providing a less cyclical, more reliable revenue stream.

Meanwhile, costs are down. After joining as president and COO in 1999, Whitehead’s first objective was to cut \$40 million from the expense line – gross profit margin has improved from 30 per cent in 1998 to 40 per cent in 2002. In recommending the company’s stock, National Bank Financial analyst Steve Laciak, wrote, “We think that Doug Whitehead is the best Finning president we have seen since V.K. Sood in the late 1980s.” A buy-side analyst, McKenzie Financial’s Phil Taller, put it this way: “Doug Whitehead brought an operating intensity to the company [and] made much more efficient use of the same working capital. With the same level of business, Finning now boasts a stronger cash flow...It [has] great growth prospects.”

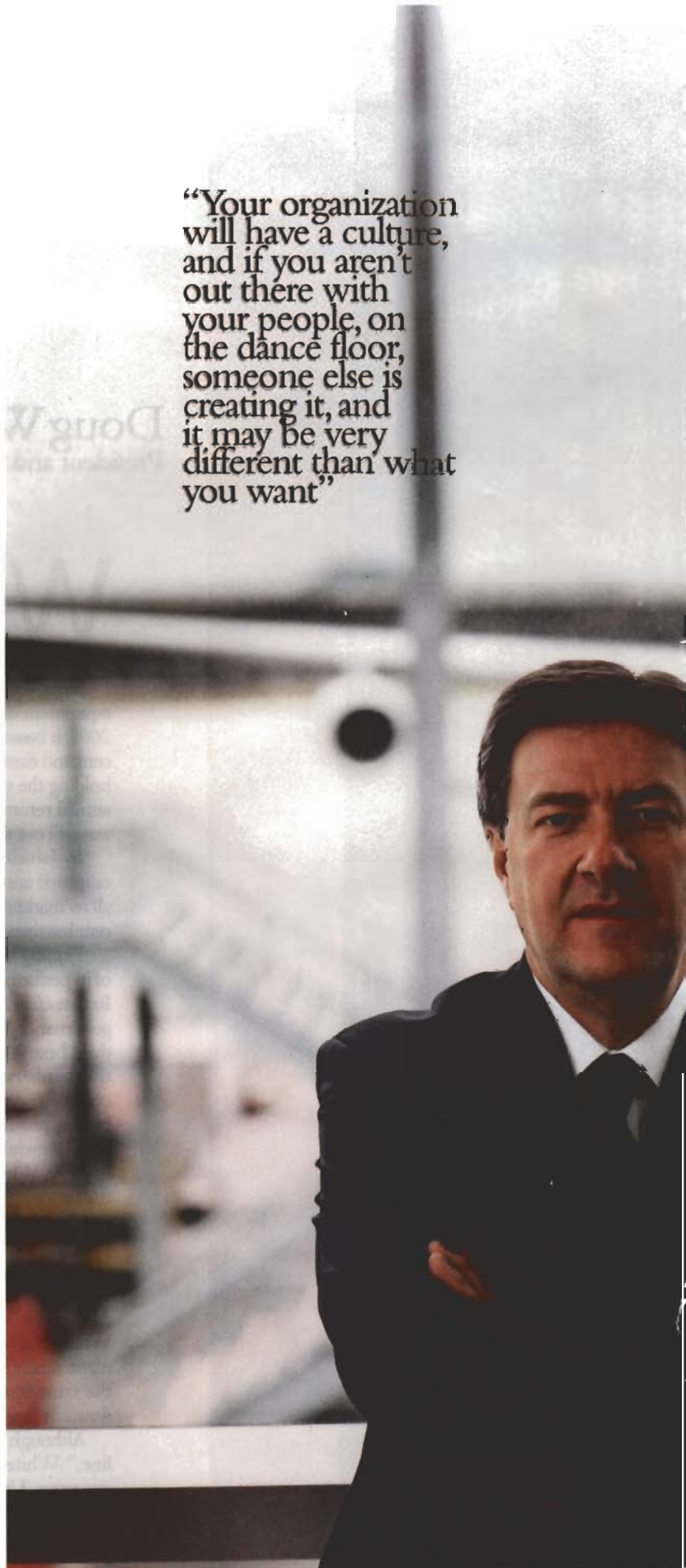
Although The Street loves him for being “all about the bottom line,” Whitehead is the antithesis of a one-dimensional chief executive. Under his stewardship, Finning International was the

recipient of the Spirit of Vancouver award in 2002, second only to VanCity. Personally, he's a model of community leadership and service. In addition to his board activities, he serves as a member of the Business Council on National Issues, the executive committee and board of governors for the Business Council of British Columbia, and the UBC commerce faculty advisory board. He was general campaign co-chair of the United Way of the Lower Mainland in 1997 and continues to be active in its fundraising activities.

According to Tony Guglielmin, VP and corporate treasurer, "Doug was brought in to create a vision for Finning as a global company. The creation of Finning International five years ago was a defining event in our evolution. Until then, we were a conglomeration of parts – a blurred voice to shareholders, the media and The Street. Doug is a visionary, and a strategic thinker. He sees things, as he likes to say, from the 50,000-foot level – but he continually brings the focus back to the financial drivers and away from the shifting sands of the economy, the crisis of the month. He's a consensus builder, not an autocrat; he doesn't meddle in operations. He promotes debate. We've always had phenomenal salespeople at this company, but Doug brought a conscious strategy to our international operations. People here are engaged, empowered – and challenged."

Whitehead says it's all about "focus, focus, focus" – and great people. "Everyone is a winner in the right job. You have to have a dream, a compelling vision that captures the imagination of all stakeholders – then ensure [people] have the freedom and independence to achieve that vision. Make tough decisions head-on, give people the straight story, and stick to your knitting, your financial metrics. Bloated organizations don't provide job security." □

"Your organization will have a culture, and if you aren't out there with your people, on the dance floor, someone else is creating it, and it may be very different than what you want"





Larry Berg President and CEO – Vancouver Airport Authority

There are no shareholders. No government funding. It's a not-for-profit community enterprise that runs with clock-like efficiency, a fully self-funded facility British Columbians can look to with pride. An independent audit report by PricewaterhouseCoopers described YVR as "one of the province's most significant economic engines" and stated that the Airport Authority had "uncategorically . . . managed and operated the airport safely, efficiently and for the general benefit of the public."

When the federal government turned YVR over to the newly created Vancouver Airport Authority in 1992, there were a lot of very concerned stakeholders. More than 10 million passengers used YVR that year with 144,000 tonnes of cargo shipped through its facilities. The turnover was a social experiment of behemoth proportion in one of the most safety, security and operationally sensitive industry sectors.

By 2001 passenger traffic had increased by 55 per cent to 15.5 million, and cargo by 59 per cent. The recent construction of the new international terminal and runway was completed on time, on budget – and without an increase in landing fees. Twenty-six thousand people now work on Sea Island; the small city that is the Vancouver Airport now boasts its own medical clinic, dentist, chapel and liquor store, in addition to shopping, dining, personal care and lodging facilities.

It is the number-one ranked airport in its category for customer satisfaction in North America and one of the top 10 in the world. It has thrived in what one business leader described as "the eye of a perfect storm." On September 11, 8,500 stranded travelers were sheltered here, and since then, the storm has continued. Revenues declined as air travel decreased, the U.S. invaded Iraq, triggering fears of further terrorist activity, and airlines were bankrupted. At the same time, the need for expensive security has never been greater.

Visit YVR and there is no sign of the economy's dark side. The traffic is daunting: travelers everywhere, the place humming. I have explicit directions but the flurry of activity turns walkways into moving seas of people. Confused, I stop YVR employees three times to ask for directions. Each time my victim patiently stops, smiles, listens carefully and directs me along towards my destination. The employee stress and anxiety that normally accompanies an industry in crisis is notably absent here.

Finally, I find an almost invisible elevator that takes me to a humble suite of administrative offices. In the last office, I meet Larry Berg, CEO, looking very much as he's been described:

[leadership]

relaxed, affable, non-pretentious, “a straight-up guy”.

So, what advice would he offer young executives looking to emulate his record of personal and organizational success?

“You’d better be committed,” says Berg. “This isn’t a job you take for the hours. It’s consuming. You have to attract, hire and keep the right people. It requires being a good judge of people, making sure they’re in the right job. Once you do that, you have to give them the freedom to do that job, make their own mistakes. Young leaders sometimes hesitate to hire people who are smarter than they are – I am proud to say that all of the people who work for me are much better at their job than I could ever be. I’m the conductor, not the first violinist. Surround yourself with the best.

“Once you have the people in place, of course, you need a vision and a business strategy. You must relentlessly pursue the fundamentals – the lowest price, the best customer service. If you don’t offer that, someone else will.”

Execution is key. Almost all vision statements include a version of ‘provide the best customer service at the lowest price’ – yet they don’t all deliver.


“People tend to do what the boss inspects, not what you expect,” says Berg. “It’s about creating a culture. If you pick up a piece of paper off the floor when you walk by it, chances are your people will too. You have to challenge assumptions, ask the right questions – and put the systems and technology in place to support your vision. We interview 700 passengers and analyze thousands of comment cards each quarter. We benchmark ourselves against the very best. We look to great airports like Copenhagen and Helsinki and borrow their best practices.

So how does an organization go from wanting a great culture to achieving one?

“It happens on the dance floor, not in the balcony,” says Berg. “It’s easy as a CEO to get caught up in things like government policy, macroeconomics. But when we ask our employees what they want, we hear over and over again that they want to see more of us. Your organization will have a culture, and if you aren’t out there with your people, on the dance floor, someone else is creating it, and it may be very different than what you want.”

On my way out, I get off at the wrong floor and lose my way – a dusty carpenter patiently downs his tools and leads me back to my elevator, pushes the button for me, wishes me a good day and, still smiling, goes back to his work.

For the confused and weary traveler, YVR must be paradise. □



“We have some heated, lengthy debates here... But once the debate ends, and we’re committed to a strategy, you better not come in my office and tell me privately that you didn’t agree”

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"Treat people with respect; don't lie or cheat; keep your word; take responsibility... I'm prepared to stick out my neck and challenge anyone to deny that we have kept to our word - we have honored those values"



Russ Horner

President and CEO – NorskeCanada

Call it the quintessential B.C. business mess, with the usual suspects: entrenched unions and fervid environmentalists versus old-industry, multinational corporation. When Russ Horner was asked to return from Australia to take the helm of "the desolation that was Fletcher Challenge BC," his reply was a succinct "No thanks."

But eventually, spurred by his belief in B.C.'s potential, and his family, including two adult daughters who have made Vancouver home, he changed his mind.

"It was an embarrassment, really," he says of the industry world view of this province. "I was raised here. I worked on the floor of the mill. People talk about union leaders like they have devil horns, but I knew those guys. They're good people, who just wanted to be treated with dignity and respect, to be part of something they're proud of. And I knew the great wealth in this province. I knew it didn't have to be like it was."

Coming home was only the first difficult decision. Stu Clugston, VP Corporate Affairs at NorskeCanada, describes the company at that time

as "a vacuum of leadership." (Fletcher Challenge Canada was purchased by Norske Skog Canada in 2000 and after acquiring Pacifica Papers – formerly MacMillan Bloedel – in 2001, became the widely held NorskeCanada.)

"We had business consultants on practically every floor," Clugston continues, "because no one really knew what to do next. A lot of the officers then were people Russ had worked beside for many years. They were his friends. But there was a lack of confidence and vision, and Russ did what he had to do to turn the company around."

In turning the company around, Horner performed the most effective kind of organizational surgery: operate first at the top, in the executive offices. Throughout the rest of the organization, Horner began to regain the confidence of employees just out of the most brutal strike in modern B.C.

history – nine months that cost the company \$300 million and is estimated to have cost the union \$100 million.

“It was about demonstrating simple, transparent values and honoring the dignity of our people,” Horner says. “Simple things – paying attention to details. Making sure we had clean, functional showers and lunch-rooms. Meeting with the unions on a regular basis and believing, when we went into a room to solve a problem, we would be able to do that.”

NorskeCanada’s strong partnership with the unions has improved more than morale. In 2002, almost a year before a major labor contract was to expire, some of the company’s biggest customers began to get nervous. Could they count on getting their product? Was another strike looming?

“We went to the union and told them what was going on, and they understood the problem,” says Horner. “We got together in a room and agreed, together, to focus on the basics. In seven days we had a new five-year contract.”

Later ratified by 81 per cent of members, that contract was an unprecedented achievement in the industry and comforted a customer base that has traditionally had to

limit supplier agreements to guard against labor disruptions. But critics of the company were still skeptical – it isn’t difficult to reach agreement if you give too much away.

“We could have asked for more,” says Horner. “But they could have, too.”

A look at the company’s financial performance speaks even more strongly. Since acquiring Pacifica Papers in 2001, and despite a long but eventually successful court battle with a group of Pacifica shareholders, NorskeCanada has managed to achieve an astonishing \$115 million in cost synergies.

“Today,” says Clugston, “our union guys are practically knocking our salespeople out of the way to tell our customers what a great company this is.”

There is no mission statement displayed in the NorskeCanada foyer. But from the corner office to the mill floor, the organization embraces and demonstrates values that Horner outlined in a speech to the Vancouver Board of Trade: “We all learn from our parents. Be a good listener; treat people with respect; don’t lie or cheat; keep your word; take responsibility; be safe and productive; help your neighbors when you can; and play fair. I know that Enron and World.com probably had most of them stenciled on their front doors. But I’m prepared to stick out my neck and challenge anyone to deny that we have kept to our word – we have honored those values.”

You won’t find an argument either inside or outside the organization. Only a few years ago, the company had one of the worst environmental and safety records in its sector. Today its safety record is an industry benchmark, it has partnered with the World Wildlife Fund “to improve global forest conservation and advance environmental goals”, and in April it was included in the FTSE4Good, the U.K.-based indices comprising only those corporations that meet rigorous and globally acceptable standards of corporate responsibility. Although a 17-year low in newsprint prices means the company is operating in the red, a sound balance sheet, transparent financials, and a sleek operating cost structure make NorskeCanada the sector favorite of analysts. □

“It’s not enough to have a good cause – it’s crucial to demonstrate that you are using donor money effectively”



Mary McNeil

President and CEO – BC Cancer Foundation

If nothing were to change, one in three British Columbians alive today would eventually suffer from one of the more than 200 variants of the disease collectively called ‘cancer’. It is the leading cause of death here – more than 122,000 British Columbians have cancer now or are in remission; 17,500 were diagnosed in 2000 alone.

For Mary McNeil, CEO and president of the BC Cancer Foundation, that simply isn’t acceptable.

Within her organization, she’s described as tireless. The phrase ‘fueled by passion’ applies. What drives her? McNeil answers with two stories:

“We once had a man come over here with his daughter. His wife had just died, half an hour before. He just handed us his credit card and asked us to take \$10,000. They needed to do something, and it was something they could do. The key moment for me, personally, was a conversation I had with (genomics expert and Nobel Laureate)

Michael Smith. He said, 'Mary, I couldn't do this work without you.' That's what drives us all; we are not scientists, but we support the work of brilliant scientists who are our greatest hope against this terrible disease. We are part of that fight. We can do something."

"It is hard to ask people for money," says McNeil, "and there are so many good causes out there. There are many cancer agencies, and one of our greatest challenges is communicating our mission to people so that they see that the efforts of these different agencies are complementary rather than repetitive. But the cancer story touches everyone eventually. Our cause is great, and we are able to offer hope. The Cancer Research Agency, which operates in facilities owned and funded by the foundation, is unique in its ability to deliver the benefits of its bench research to the bedside of its patients."

Since inheriting a huge vision and a small staff in 1999, McNeil has maintained a fine balance, ensuring that the organization has the talent and resources it needs to realize its vision, with rigorous financial discipline.

"We've worked hard to attract a powerful board of directors with a great deal of financial expertise and credibility," says McNeil. "We need to nurture passion in an environment of accountability. In fact, a recent Ipsos-Reid study shows that accountability is the primary factor in 'giving' decisions. It's not enough to have a good cause – it's crucial to demonstrate that you are using donor money effectively."

There are few people better connected, both within the community and at all levels of government, than Mary McNeil.

"She's an extremely effective advocate and ambassador," says Penny Noble, director of marketing and communications. "She understands the issues and articulates and presents them clearly."

In an environment in which tax funding for social and health organizations is shrinking, the success of the BC Cancer Agency sets a new standard. "There is government money there," says McNeil, "but we can't simply stand around with our hand out. Just as with other donors, we have to win that funding through accountability, by presenting our cause effectively."

In the three years McNeil has headed the Cancer Foundation, it has successfully completed a \$100-million fundraising campaign, hosted a concert that raised \$1.75 million dollars for research, secured \$10 million in government funding for the Genome Sciences Centre and launched the BC Lifestyles Lottery.

Now that's effective. □



“If you start second-guessing yourself, chasing your tail inside your organization, then you lose”

Rob Bakshi

Chairman, CEO and President – Silent Witness Enterprises

Silent Witness Enterprises (SWE) looms much larger in the minds of Canadian small-cap investors than it does on the Cloverdale street on which it sits. An unobtrusive blue block on the outskirts of town, it's the kind of building you can drive by every day without ever wondering what's inside. For small-cap investors, however, Silent Witness is a vivid demonstration of technological success, and Rob Bakshi, its founder and CEO, clad in khakis and a Silent Witness-embroidered white shirt, is an exemplar of our fondest capitalist dreams.

Born in India, Bakshi's parents brought him to a farm in Richmond when he was 13. So, what has he learned there that he applies in his business today?

“Responsibility.” His reply is emphatic. “On the farm, if something needs to be done, you do it. You don't look around for someone else to do it, or make excuses about why it didn't get done. You take responsibility.”

Bakshi has done what few entrepreneurs have proved capable of doing – led his company through the transformation from start up to a TSX- and Nasdaq-listed corporation, with fiscal 2002 revenues of almost \$58 million and

market capitalization of \$46 million.

It hasn't been easy. In 1995, the year before it went public, Silent Witness had revenues of \$5 million and, in the words of COO Tom Gill, “was bleeding red ink.” By the end of 2001, however, the company's five-year net income growth was 335 per cent, an average of 54 per cent per year, and its shares traded as high as \$14.85. Then corporations stopped spending, even on the security systems Silent Witness provides and that many analysts thought would outsell cell phones in a post-9/11 world. The company met the challenges faced by all tech companies in the wake of the bubble: falling revenues, swooning share price, shrinking profits, unhappy investors and fierce competition for market share.

Today SWE shares trade in the \$6 range. But revenues are up 26 per cent over the last 12 months, profits are up 33 per cent and

share price has recovered from a 52-week low of \$4. Twenty-six mutual funds own a total of 20 per cent of the company's outstanding shares.

"I don't watch the share price every day," says Bakshi. "It's not something I can control. We focus on things we can control, on sticking to our business plan. We've faced fierce competition in the last three years, some of it from people who used to work here, but from around the world too. It's easy, in that situation, to become focused on your competitors, to start reacting instead of creating. My job was bringing the focus back to our business plan. Your competitors can't take you down – there is more than enough for all of us out there – but if you start second-guessing yourself, chasing your tail inside your organization, then you lose."

Tom Gill, who joined the company in 1995 as controller and operations manager and has served as chief operating officer since 2000, still describes Bakshi in entrepreneurial terms. "He's a visionary, always pushing the envelope, looking for the new idea, the new product. Silent Witness has retained its entrepreneurial adaptability even as a larger company – we pride ourselves on being adaptable, structured but opportunistic. We can make decisions fairly quickly, and that's a real advantage."

So how does an entrepreneurial start up leader with a business degree from SFU lead his organization into the big leagues and win?

"Create an environment that attracts the best and brightest," says Bakshi, "give them the room they need to succeed, and invest in them."

Tom Gill estimates the company has invested almost \$100,000 in his development since 1995, including stints at Wharton and other high-profile Ivy League business schools. Investment in growth is company policy: each Silent Witness employee receives at least 40 hours of training each year; that training is put to good use.

"In seven years," says Gill, "I think that Rob has imposed a decision on the company perhaps once or twice. Loyalty, honesty and trust are important to him, and there is no place to hide in this company. Everyone pulls their weight. But he leads through consensus. He believes that, as a group, we can always come up with the right decision."

In the company's long list of successes, the one Bakshi takes most pride in is his people. "Technologies come and go. Ideas are cheap – it's people who manifest ideas. We have unbelievable people here, capable, creative people who would work 24 hours if they had to, not for me, but for our customer, because it was the right thing to do." ■