WORKING CAPITAL OPTIMIZATION

fei
financial executives international
dirigeants financiers internationaux
canada

cferf
canadian financial executives research foundation
fondation de recherche des dirigeants financiers du canada

ERNST & YOUNG
Quality In Everything We Do

ACKNOWLEDGEMENTS

We gratefully acknowledge the efforts of our survey respondents and our forum participants who took valuable time away from their day jobs to participate in this work. We are particularly grateful to our research partner, Ernst & Young, without whom this study would not have been possible.

Christian Bellavance
Vice President, Research and Communications
Financial Executives International Canada

Disclaimer: Due to rounding, figures in charts may not add up to 100%.

First published in 2013 by CFERF.
1201-170 University Ave.
Toronto, ON
M5H 3B3

ISBN# 978-1-927568-05-7

CONTENTS

EXECUTIVE SUMMARY

Working capital performance provides critical insight into the state of a company's financial position. As an important indicator of financial fitness, the availability of a company's working capital is one of the first items a lender or savvy investor will examine on a balance sheet. Although working capital evokes a range of meanings, for the purpose of this study, it is defined as the net liquid assets (current assets minus current liabilities) available to an organization to meet liquidity needs in day to day operations.

Skillful cash management, including working capital management, cash forecasting, and financing, is key to the success of an enterprise. When cash is tight, companies focus on generating liquidity for the variety of different funding needs within the business. On the operational side, working capital is primarily impacted through the management of the three major areas: receivables, payables and inventory. These typically represent the primary areas in which a company can influence working capital in the short term without the need for external financing.

This study presents the perspectives of Canadian financial executives regarding the importance of working capital management to their companies. It explores their views of how their companies manage working capital, examines whether their organizations have implemented improvement programs and how their companies have managed various working capital management challenges, solutions and strategies.

Insights received through the survey and roundtable sessions revealed that 53% of companies considered working capital management to be of high importance to their organization. In addition, key highlights included:

- 24% of companies recorded a deterioration in working capital performance, while 39% recorded an improvement.
- 48% of companies have undertaken a working capital improvement program in the last 12 months and 53% intend to execute one in the next 12 months.
- 69% of companies that have executed a working capital improvement initiative expressed that they achieved a high success rate.

- Working capital improvement continues to be a competing priority with other internal initiatives, with 80% of companies highlighting cost reduction and operational effectiveness as a priority for their company.
- For many companies, working capital reporting has become a month-end exercise with 57% reviewing performance monthly compared with 22% that monitored performance weekly or daily. Surprisingly 5% of companies have no monitoring in place.
- 52% of companies need to maintain a focus on working capital to meet internal free cash flow targets and 40% saw it as an opportunity to pay down debt.
- 31% of companies have working capital embedded as part of management compensation.

Although this report is aimed primarily at financial executives, it is important to note that working capital management is not just a finance concept. Working capital is influenced by nearly all functional areas across a business: operations, sales, finance, procurement, IT and a number of different buyers spanning the whole organization. Therefore, when an organization decides to implement a working capital improvement program, it means the whole organization should be pulling in the same direction with strong internal leadership.

“Working capital management is key, and from a financing point of view, it is the cheapest source of capital. There is always too much cash tied up in inventory or accounts receivable and we are often exploring ways to free up that cash by using, for example, credit insurance, factoring and/or asset based lending.”

Richard Morrison – President, IRR Capital Inc.

“We have focused on working capital improvement ever since the 2008 financial crisis when access to financing was very limited.”

–Survey respondent

METHODOLOGY AND DEMOGRAPHICS

The study comprises the results of an online survey of Canadian financial executives which took place between November 1 and November 26, 2012. One hundred-fourteen respondents completed the survey. Further insights were gathered at executive roundtables in Toronto and Montreal which took place simultaneously, connected by video conference, on November 13, 2012. More than half (56%) of respondents were CFOs, and 17% held the title of VP Finance. Respondents were drawn from a wide range of industry groups and sectors. Of the respondents, 55% were from private companies, and 35% from public. For more demographic information, please see **Appendix A**.

IMPORTANCE OF WORKING CAPITAL TO YOUR ORGANIZATION

Leaders set the tone for an organization, as well as its priorities. Therefore, according to study participants, it's critical that senior management at an organization, including top executives right up to the CEO, understand and support the importance of working capital management as part of a broader cash flow focused mind-set. Study participants emphasized that buy-in across an organization is key to any working capital improvement program, but it's hard to imagine a successful outcome from any organizational transformation without support from the C-Suite, including the CEO.

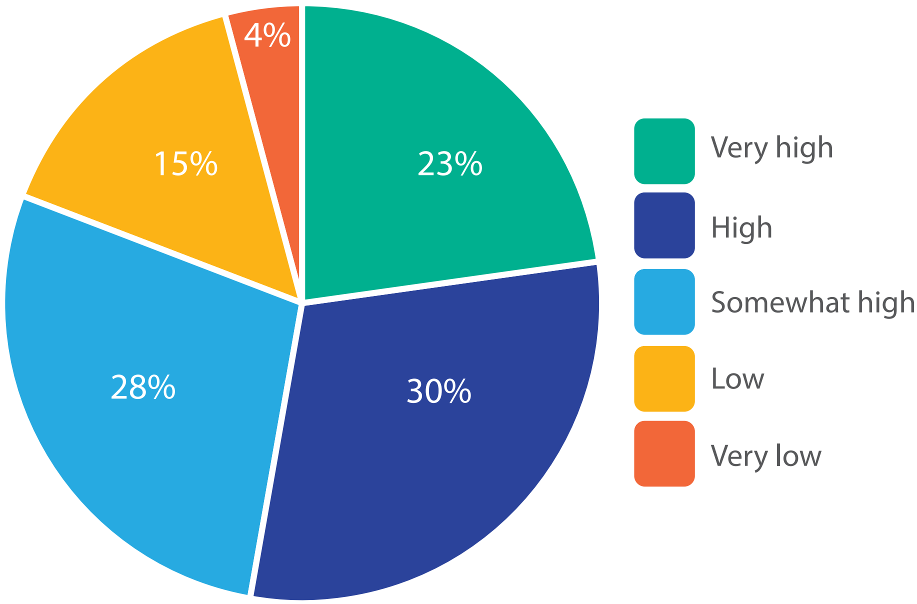
"I think it's important to have a champion at the executive level, including the CEO and the board. It really helps greatly for us to have them as champions and demonstrates to the organization that this is an executive priority."

Raymond Castonguay – Senior VP, Finance, Morneau Shepell Inc.

While the majority of companies said working capital was important, its importance was varied depending on company type. For instance, more than half of survey (53%) respondents said working capital was considered to be of high or very high importance at their organization. **See Chart 1**. In general, public companies were slightly more likely to say their organization placed a high or very high rating on working capital (58% of public companies compared to 51% of private companies).

IMPORTANCE OF WORKING CAPITAL TO YOUR ORGANIZATION

CHART 1 – HOW WOULD YOU RATE THE LEVEL OF IMPORTANCE BY WHICH WORKING CAPITAL IS PLACED IN THE ORGANIZATION?



“Our focus is on sales, manufacturing and distribution and then working capital gets lost somewhere at the bottom of the list of priorities. If the CEO or President isn’t living and breathing working capital in the day to day conversation it gets lost.”

John Forester – CFO, DBG Canada Ltd.

Working capital was noted to be of most importance at small public companies, 86% of which rated working capital as high or very high, and at large private companies (65%). Interestingly, small private and large public companies were less likely to rate working capital as being high or very high in importance, potentially emphasising how other competing priorities may take precedence (e.g. cost reduction initiatives; revenue stabilization).

Study participants observed that although working capital management may be identified as a priority, its importance is often not fully understood across the broader functional groups within an organization and management have a continuous challenge to motivate and educate their organizations on the importance of cash flow alongside other priorities. It is important that staff, both in finance and across the broader operations (sales, manufacturing, procurement etc), can be educated on the connection between a company's liquidity and free cash flow, and how capital investments, acquisitions, research and development and internal initiatives are funded.

> “We're expanding through acquisitions in the rest of Canada and South America. Being wholly-owned by its employees and having limited capital, we told our business units heads that unless we collectively improved our consolidated working capital position, we would need to impose a ceiling on acquisitions volumes. That warning has done wonders, compared to trying to incorporate working capital objectives in the personal objectives of either the business unit heads or the VP Finance of each of the business units. What has worked well also is capital or interest charges, the notion of impacting the P&L of business units by an imputation of interest charges on net working capital (work-in-progress plus accounts receivables less client advances).”
>
> **Marc Godin – VP and CFO, Dessau Inc.**

RECENT PERFORMANCE

CHANGES OVER THE PAST 12 MONTHS

Survey respondents reported mixed results over the last 12 months. Thirty-nine percent of companies reported an improvement in working capital, compared with 24% which reported a deterioration. And 38% reported that performance stayed similar year on year.

It is interesting to observe that those companies that place a higher level of importance on working capital tended to have achieved better results in 2012. There is also a heightened level of importance for those companies that recorded a significant deterioration; with each company expressing that working capital is now a high importance.

Nearly half (48%) had undertaken an improvement program in the last 12 months, while 52% had not. Most survey respondents reported positive results from their programs, with 69% stating their programs had a high or very high success rate. Those companies that prioritize working capital improvements typically reap the rewards that come with them.

Of those respondents who said their organization placed a high or very high emphasis on working capital, 73% had instigated a working capital improvement program over the past six months.

These respondents listed a range of reasons for doing so, including:

- **Financing:** Reducing reliance on banking facilities and debt; lack of available financing from external sources
- **Cash flow:** To correct a previous deterioration in working capital; improve forecasting
- **Inventory:** To reduce cash tied up in inventory; improvement of inventory management to reduce risk associated with devaluations
- **Cash management:** Improve cash flow by increasing billing speed

“In markets like today – in environments where products are changing really fast – that makes your working capital management very difficult because if you order too much of some products then your working capital is going to be tied up in potential obsolete product. If customers have difficulty paying because they're in a specific industry in jeopardy, you're going to have trouble with your receivables.”

Carl Gauvreau – President, Gauco Inc.

DRIVERS OF RECENT WORKING CAPITAL PERFORMANCE

Companies surveyed face a variety of internal and external pressures to improve performance. Cash flow is critical in these uncertain times and many companies have applied a heightened level of risk management and diligence in order to have greater visibility and influence on performance.

The majority of companies surveyed (52%) needed to maintain a focus on working capital to meet free cash flow targets. This was regardless of how the companies performed over the last 12 months. Forty percent of companies saw the opportunity to release cash from working capital to pay down short and long term debt reducing interest costs. Other key areas included utilizing funds released for acquisitions and other internal investments, returning cash to shareholders. Interestingly, 19% of companies had a clear motivation to improve due to the understanding that their peers may be performing better.

Other respondents noted that the working capital improvement was simply a reaction to having too much working capital (e.g. inventory too high, obsolescence, aged receivables) or was part of a broader cost and cash improvement initiative. In addition, some respondents improved programs out of necessity (e.g. protection against financial covenant default, reducing risks of write-offs, restricted access to materials, being able to make a dividend payout).

“Survival. Junior mining company typically raises funds for 1 to 2 years of spending activity.”
– Survey respondent

“We have focused on working capital improvement ever since the 2008 financial crisis when access to financing was very limited.”
– Survey participant

DRIVERS OF RECENT WORKING CAPITAL PERFORMANCE

TABLE 1: Drivers compared to changes over past 12 months:

How has working capital changed over the last 12 months?

What is (are) the main driver(s) for your organization to increase its focus on working capital? Choose all that apply.

	Significant improvement (15%)	Improvement (24%)	Stayed the same (37%)	Deterioration (19%)	Significant deterioration (5%)
Meet annual free cash flow targets (52%)	44%	55%	50%	57%	50%
Pressure from stakeholders (banks, board analysts, credit rating agencies) (25%)	28%	14%	20%	35%	67%
Pay down debt (40%)	33%	38%	35%	48%	67%
To fund acquisitions (28%)	22%	24%	28%	26%	67%
To return cash to shareholders (26%)	33%	28%	23%	22%	33%
Performance against peers (10%)	17%	28%	15%	22%	0%
Other (20%)	28%	17%	23%	13%	17%

Overall, 52% of respondents felt a main driver to increase focus on working capital was to meet annual cash flow targets, while 40% did so to pay down debt, and 28% to fund acquisitions. Those who faced "significant deterioration" of working capital over the past 12 months cited a number of factors which are driving them to increase focus on working capital. Two-thirds cited pressure from stakeholders, the need to pay down debt and funds for acquisitions. These three issues were cited by only one-third (or fewer) of those who had seen a significant improvement in working capital. This reiterates the pressures that companies face when experiencing deteriorating working capital performance as cash flow becomes heightened both within and outside the organization. **See table 1.**

BUSINESS CHALLENGES OVER LAST 12 MONTHS

PRESSURE FROM CUSTOMERS (AR)

"Construction is cash flow positive . . . that's not an issue. Professional services is the challenge because typically our clients are public sector, they pay well but late. And in some regions, like in the Muslim countries, there's no notion of interest, therefore we cannot charge for late payment. Generally speaking, public sector clients are not keen on interest charges. So what we've done that has worked is to benchmark against the relevant publicly-listed comparables, whether it's publicly quoted engineering firms, publicly quoted construction companies. We allocate working capital charges to the business units based on usage, so we charge on their WIP plus accounts receivable, less client advances, which are sometimes cash sources we can get from certain clients."

Marc Godin – VP and CFO, Dessau Inc.

Customers delaying invoice payment was deemed by 34% of survey respondents to have had a high or very high impact on working capital over the past 12 months. Some companies may be afraid of harming relationships with their customers by being too aggressive in pursuing them for payment. "For us a new customer usually is the big multi-national, we're a smaller player so the receivables' terms typically are dictated and cannot be negotiated," notes John Forester, CFO of DBG Canada Ltd.

Similarly, customers exerting pressure on businesses to extend their credit and payment terms were also placing high or very high pressure on working capital for 19% of survey respondents.

It is particularly hard to compete when a rival supplier is offering more favorable payment terms to customers. Some companies choose to offer early payment discounts, and while this can be an effective way to accelerate cash flow, there are no guarantees. Once organizations offer them to customers they may get a better payment performance, but over time, the customer has the control over how they pay the enterprise and then there is the extra work of deductions management and short payments to manage. In the end, there's still no guarantee of prompt payment with an early payment discount. And the cost to the enterprise of offering an early payment discount must be closely analyzed – it may be too high a price to pay for the moderate improvement in working capital.

"Working capital optimization is a priority up until your operators have good reasons to allow for exceptions. It's easier to have control over accounts payable and the inventory, but as it relates to the accounts receivable, the diversity of clients and business units make it more complex to manage. We're going through an initiative where we try to come up with a set of clear rules related to credit and recovery so that there is better clarity both internally and for our customers. The simplification of the process can also allow for cost efficiencies and a more optimal working capital."

Philippe Bonin – Corporate Treasurer, Transcontinental Inc.

Of course, it's hard to encourage customers to pay promptly if their invoices aren't accurate. Incorrect invoices are a source of frustration for customers and can often be a reason driving late payments. Some investment in the resolution of customer inquiries could help speed up an organization's cash flow. According to Catherine Fels-Smith, a former employer discovered the root cause that was driving DSO (days sales outstanding). "We had a business division that had a problem getting an accurate invoice out," recalled Fels-Smith. An initiative was launched to fix the accuracy of invoicing. "It didn't touch finance at all, it was resident in the business and they didn't even know it touched working capital. But in fact what it did do was impact the whole receivable cycle significantly." Ultimately, when there is a slow payment or dispute, a company should first ask what they are doing wrong or what internal process can be improved before accusing their customer.

PRESSURE FROM SUPPLIERS (AP)

Organizations may be reluctant to request longer payment terms, fearing negative fallout on their reputation. There may be also concerns about risk to the supply chain if payment terms are extended too long. Increased pricing pressure was cited as a high or very high level of pressure by 40% of survey respondents. Fourteen percent cited supplier demand for shorter payment terms in negotiations. For many companies, it is a matter of balancing different contractual drivers to get the best overall result possible (price, terms, service).

"There are a lot people who sign contracts (with suppliers or clients), who don't pay attention to the terms of payments, or who modify the terms of payments of the contract. It is important that people take into account terms of payment when they negotiate contracts and that they advise treasury so that treasury can review the terms of payments."

Pierre van Gheluwe – Treasurer, Yellow Media Inc.

MAINTAINING AN INVENTORY BALANCE

Inventory management is the area in which the disconnect between finance and operations can become the most apparent. So while the importance of working capital management may be extremely well-known and articulated amongst the finance group, the operations can lack this sense of urgency and understanding of good cash flow management. Ultimately, operations should ensure the cash impact of decisions are taken into account.

Inventory management is a balancing act between carrying sufficient amounts to meet customer service level targets while not having excess that consumes cash and carries greater risk of obsolescence. Any review should ultimately look at eliminating the imbalance, but it is not a one-time event – focus needs to be constant and dynamic to react to both supply and demand changes.

Some companies may be reluctant to reduce inventory, fearing this could reduce their service level to customers. "Our buyers who buy material want to make sure they buy well in advance so they are not responsible for late or missed delivery of product," notes John Forester, CFO of DBG Canada Ltd. "It has to be there on time. They build in big safety cushions and all of a sudden your inventory starts going up."

Carl Gauvreau, of Gauco, suggests inventory management should become a team effort, with targets and metrics put in place. By putting targets in place over a 60-day period, and explaining objectives clearly, Gauvreau says this can be an effective way of managing inventory, when combined with incentives for the employee responsible for meeting the targets. Gauvreau added that it is important to actually verify with internal company buyers that they are buying against sales forecasts, not just buying for the sake of buying.

The story of managing inventory

"Coming out of the recession manufacturers to the retail industry saw a huge change in the desire of retail to carry inventory. We saw push back on all of the inventory risk. We're coming out of a high inventory position to get to a more manageable inventory position. So this year there is a huge focus on trying to drive down inventories and to increase the cash within the business. The big challenge is educating those who are not trained in the world of finance. So it's cultural, as well as technical. It has been an interesting challenge."

Dan Clarke – President, Climate Technical Gear Ltd.

"With us, the inventories are generally higher in mid-year because people want to have all the material available when they're ready to start their peak construction work, and we are not at just-in-time availability of material yet. Also at the end of the year, as the work is completed the inventories will generally go down because they're working hard to complete their capital projects before the winter weather comes. And then the cycle turns. From a risk point of view they'd rather have the material there earlier to ensure that the projects can get completed efficiently and effectively. I think the keys are getting them to understand how this can affect working capital and costs and having the line work more closely with procurement to move more to just-in-time availability of material."

John Glicksman – EVP and CFO, Powerstream Inc.

"I have one client who had a lot of inventory, and instead of working on reducing inventory both for efficiency and financing purpose, they bought a new warehouse. So there is a disconnect between managing the business and keeping a healthy financial position."

Carl Gauvreau – President, Gauco Inc.

RATING YOUR ORGANIZATION'S RELATIVE PERFORMANCE

We posed the question to our survey participants on how they felt they performed against their peers. Most companies (55%) rated their ability to manage their working capital as about the same as other companies in their industry, and 24% said they thought they were doing a better job. Large private companies seemed confident about their ability to manage working capital relative to their peers, with 31% stating they were doing a better job than their peers and 50% stating they thought their performance was about the same. Large public companies seemed less confident, with 20% actually stating they thought they were doing a worse job. It's important to keep in mind public companies were less likely to state that they did not know how their peers were doing (4% versus 12% of large private companies), since of course public financial information is freely available.

The majority of companies in most industries stated they were "about the same" as peers in managing working capital. There were a few exceptions. For instance, 71% of respondents in wholesale trade ranked their company's performance as better than peers. In comparison, 67% of arts, entertainment and recreation companies rated their organization's performance as worse than peers, as did 50% of retail trade companies.

Those companies which said their organization's performance in managing working capital was better or around the same as their peers were also more likely to rate their organization's emphasis on working capital management as high or very high than those who rated their performance in this area as worse than their peers. For instance, 55% of those who said their performance was better than peers said their organization place high (29%) or very high (26%) importance on working capital. **See Table 2.**
In comparison, only 31% of those who said their performance was worse than peers said

TABLE 2

How would you rate your organization's performance in managing working capital compared to your industry peers?	How would you rate the level of importance by which working capital is placed in the organization?					
	Very low (4%)	Low (15%)	Somewhat high (29%)	High (30%)	Very high (22%)	Total (100%)
Better (24%)	6%	3%	35%	29%	26%	100%
Around the same (55%)	3%	19%	21%	36%	21%	100%
Worse (17%)	0%	17%	52%	22%	9%	100%
Do not know (4%)	17%	17%	0%	17%	50%	100%

working capital had a high or very high importance at their organization. This suggests that those companies that place a higher importance on working capital are actively speaking with their counterparts in the industry and researching how others may be achieving improved results. **See Table 2.**

There was also a correlation between relative peer performance and overall working capital levels within the business. Of those who said their working capital management was the same as or worse than peers, 36% reported working capital of more than 20% of sales, and 22% reported it as 10-20% of sales.

Despite companies believing that their performance was strong, over 80% of companies surveyed have not undertaken a benchmarking exercise to assess their current performance. This suggests that opportunity still exists for companies to gain deeper insight into current state performance and identify further continuous improvement opportunities.

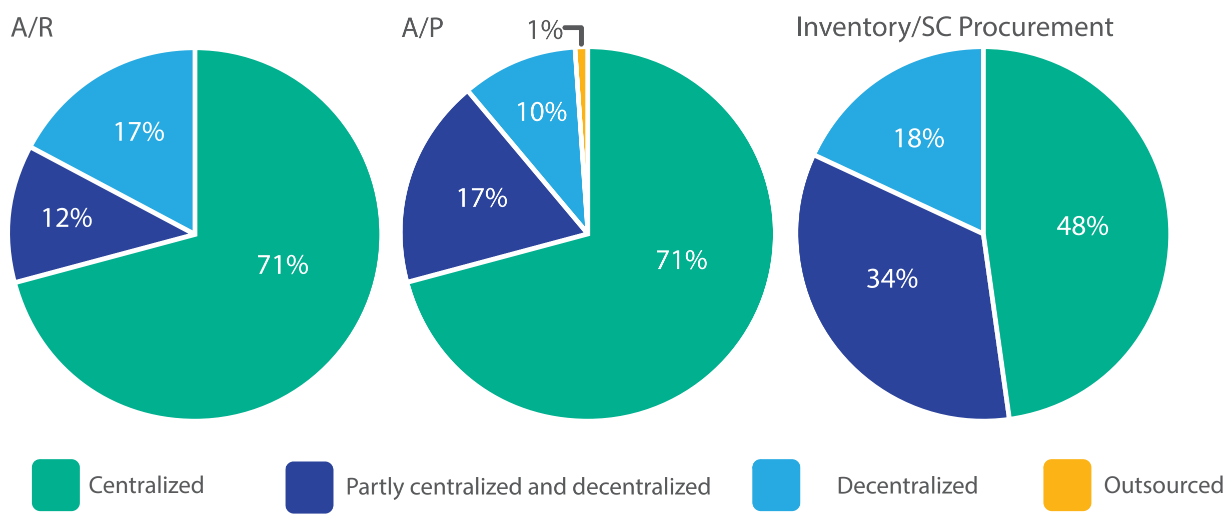
WORKING CAPITAL GOVERNANCE

ORGANIZATIONAL STRUCTURE

Accounts Receivable and Accounts Payable management are mostly centralized (71% of all respondents). It was interesting to note that those respondents who said they outperformed industry peers in the management of working capital were more likely to report that these functions were centralized than those who said these functions were partly or fully decentralized. This could indicate that by centralizing working capital, there is a greater likelihood that a company can have closer control of processes and policies impacting working capital performance, leading to greater success in its optimization.

Inventory / Supply Chain and Procurement organizations tend to be more decentralized (only 48% said this function was centralized). **See Chart 2.** This is more common as many organizations have management functions spread across different locations (i.e. warehouses, distribution centers, mills, plants etc).

CHART 2 – HOW WOULD YOU DESCRIBE THE ORGANIZATIONAL STRUCTURE FOR MANAGING WORKING CAPITAL PROCESSES?



If centralized or partially centralized, slightly more than half (53%) said Accounts Receivable and Accounts Payable housed in a shared services environment had clearly articulated service levels, ensuring that processes were defined and performance closely managed in line with set objectives. Outperformers were more likely to say this than those who said they performed as well as or worse than industry peers.

Three quarters of respondents said they feel like they have sufficient visibility and control on working capital performance within finance. Those who said they did feel like they had sufficient visibility were somewhat more likely to have centralized organizations structures for inventory/SC procurement as well as accounts payable and accounts receivable processes.

"You're looking to see if your free cash flow is growing or is steady. But then, even if you are using benchmarks, it's very difficult because even within the mining sector, there are so many different levels and sizes of companies."

Allan MacDougall – Global Director of Finance, Dumas Contracting Ltd.

"We do measure our working capital against benchmarks driven by budgets and quarterly forecasts we produce. We manage our working capital on a monthly basis, including detail analysis and action plans. One of the business performance measures is based on profitability; however profitability is one key facet, the need for working capital management is another. The need to have benchmarks whether internal (budgets and forecasts) or external is critical to bring attention to working capital management and influence behavior to support longer term profitable growth and stakeholder value. Those are our benchmarks that we monitor and manage our progress against."

Hanif Ladha – VP Financial Planning and Operations Support, G4S Cash Services (Canada) Ltd.

TRACKING WORKING CAPITAL

Only 22% of survey respondents monitor working capital performance on a daily or weekly basis and it is primarily common for monitoring to be on a monthly basis (57%). This suggests working capital performance monitoring is aligned with general month end practices. Only 5% of respondents suggested they never reviewed working capital performance.

"DSO (days sales outstanding) is definitely one of our key metrics. We report on it on a monthly basis, we look at the accounts receivables that are past due and report back to the lines of business EVPs. I'd say that with DSO we brought the cash flow discussion to a level they can influence and really help us drive improvements. Finally through the use of standardized reporting, the lines of business up to the board are all aligned around DSOs and capital spending."

Raymond Castonguay – Senior VP, Finance, Morneau Shepell Inc.

Those respondents whose companies tended to review working capital more frequently were more likely to say they placed a high or very high importance on it. For instance, organizations which reviewed it daily (90%) and weekly (80%) said it was of high or very high importance. This is in stark contrast with those companies who reviewed on a monthly basis with only 52% who placed a high or very high importance. **See Table 3.**

TABLE 3

How often do you review working capital performance?

How would you rate the level of importance by which working capital is placed in the organization?

	Daily (9%)	Weekly (13%)	Monthly (57%)	Quarterly (14%)	Never (5%)	Other (2%)
Very low (4%)	0%	0%	3%	13%	17%	0%
Low (15%)	10%	13%	11%	25%	50%	0%
Somewhat high (28%)	0%	7%	34%	44%	17%	50%
High (30%)	60%	27%	32%	13%	17%	0%
Very high (23%)	30%	53%	20%	6%	0%	50%
Total (100%)	100%	100%	100%	100%	100%	100%

Organizational measurement of working capital ranged from no tracking, to informal methods, to a range of more formalized methods. Strategies included tracking standard metrics (i.e. Days of Sales Outstanding, Days Payables Outstanding, Days Inventory Outstanding, inventory turns, cash conversion, Net Working Capital a percent of sales, number of order holds), monitoring weekly cash flows, tracking and reviewing accounts receivable aging statistics. The monitoring frequency and use of these strategies varied (as discussed above) from daily/weekly review to monthly/quarterly and in some cases not at all ("Company generates strong cash flows. Working capital is not tracked closely").

Those who rated their performance in working capital management as superior to the performance of their peers were most likely to review performance monthly (70% of outperformers versus 51% of those who rated their performance as worse or the same as peers). Twenty-five percent of those who were performing the same as or worse than peers were doing daily or weekly reviews, perhaps because they had greater pressure to monitor cash flow.

According to participants, measurement is helpful for planning and forecasting; it is useful for tracking progress; communicating the importance of working capital management to colleagues; highlighting and illustrating points when giving feedback; as a point of reference (baseline), and for communicating with board members.

Tracking working capital

“What we need to do now is have better measurement and understanding of working capital by finance and management and being able to explain to the line groups how they impact on working capital, and the indirect impact this has on their operating budgets and capital budgets, and as such the benefits to the entire organization associated with optimizing working capital.”

John Glicksman – EVP and CFO, PowerStream Inc.

“Is it sufficient to look at working capital on a monthly basis? . . . Working capital review at my company is required more frequently with subsidiaries sending me their receivables and payables every Monday morning, so I know exactly what my consolidated receivables and payables positions are. I also look at our consolidated bank balances Monday mornings as well generating my Quickie Working Capital. It’s not an accounting working capital, but from there you can see receivables, payables and cash. Given those are the key elements driving your working capital monitoring them weekly identify differences and even help to observe sales progress through billing. At a board meeting, I presented the graph of quickie working capital with everyone sensitized to its importance.”

Ross Corcoran – VP and CFO, Global Railway Industries Ltd.

“I do a weekly cash by region in our various regions around the world, and what we do is we provide back the information to the project managers and the general managers of those regions, and basically what we tell them is that you’re not generating the cash flow or you’re buying too much inventory or you need too much equipment and you’re not at the right place in your project, so we’re getting it back to the people who are on the ground, on the field, as well.”

Allan McDougall – Global Director of Finance, Dumas Contracting Ltd.

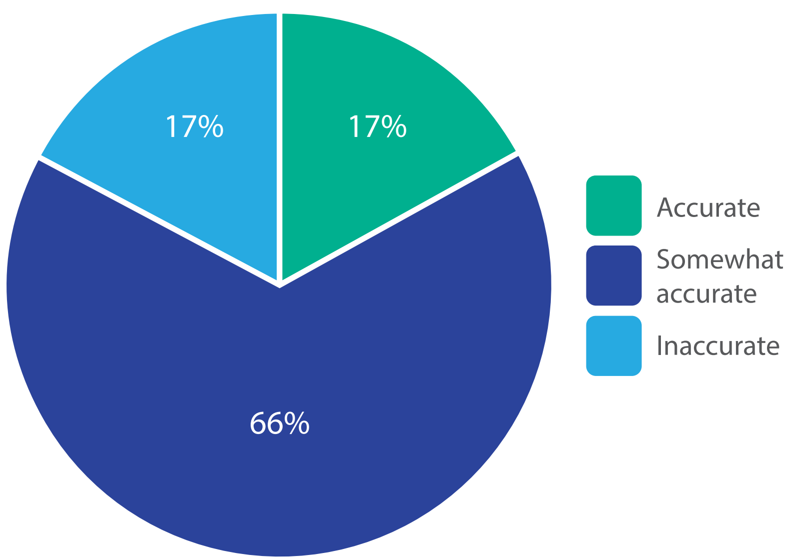
PREDICTING THE ACCURACY OF CASH FLOW FORECASTS

> "I would say forecasting is one of our biggest challenges. Getting it right weekly is quite difficult, particularly when you have a lot of different incoming and outgoing flows. You need a lot of detail; you need to capture all the right information to attain accuracy."
>
> **Ivana Krpan – Vice President, Finance, LS Travel Retail North America**

The most common approach (30%) to cash flow forecasting was rolling daily/weekly (e.g. rolling 13 week outlook) with responses ranging across a variety of other methods (daily with four week outlook 14%, rolling funds flow 19%, funds flow (13%). It is worth highlighting that 14% reported having no formalized cash flow forecasting mechanism.

Cash flow forecasts were "somewhat accurate" for most (61%) survey respondents. Far fewer described them as accurate (23%). Very few respondents (14%) expressed that forecasts are inaccurate. **See Chart 3.** Those who say they outperform industry peers in working capital management are more likely to say they have accurate cash flow forecasts (41% of outperformers versus 16% of those who say their performance is worse or the same as peers). There is a connection between a company's working capital focus and cash flow management, where a cash culture is part of day to day activities it generally leads to a better understanding of cash flow within the business, increases employee awareness and can ultimately improve accuracy of forecasts.

CHART 3 – HOW WOULD YOU DESCRIBE THE ACCURACY OF YOUR CASH FLOW FORECASTS?



Cash flow forecast accuracy will continue to be a challenge for many companies with typical reasons including:

- Unexpected expenditures
- Timing issues: Unpredictable or lagging customer payments, timing of business deal closures
- Limitations: Technical skills of staff, not enough information from systems, lack of visibility in profitability of operations
- External influences: consumer demand; commodity prices; and currency rate changes
- Inefficiency: Multiple bank accounts

"Often the issue with working capital is forecasts. When things are great, people don't really do much forecasting. They have an general idea of their cash forecast, but when you ask them why if it's off by a certain amount , usually people can't tell you really why. When the situation becomes more difficult, people are just not used to forecast precisely and it takes time to change the mentalities in the company."

Pierre Van Gheluwe – Treasurer, Yellow Media Inc.

"We're getting better at doing weekly cash flow forecasting, and in our business I'd say the responsibility for cash flow management is split between operations and finance . . . for example, as a utility we have significant payments for cost of power that we make to the independent system operator on a monthly basis prior to collecting these amounts from our customers . . . We're trying to get better at the components that finance is accountable for forecasting and working with operations to get a better handle on the timing of operations cash flows that we need input from them on."

John Glicksman – EVP and CFO, PowerStream Inc.

The laissez-faire approach: Can it work?

"Our company generates strong cash flows. Working capital is not tracked closely."

– Survey respondent , small public company

"It is currently measured badly. The purpose of our program is to better understand how working capital costs affect business line behaviour."

– Survey respondent

Using metrics to help with inventory management: A case study

"We have always had an emphasis on days on hand, and trying to drive it to an optimal level. You can't simply decrease it because that might affect sales, so it's about finding the right balance. Our business used to be based on press, books, and magazines, but with the advent of tablets and smartphones, people are consuming their media differently. This means we've moved into new categories, such as electronics and accessories, and this change comes with different pressures on optimal days on hand. Inventory has the potential to age faster; it becomes obsolete faster, but it can also move faster and drive your sales if you have the right product on the shelf. To measure how well we're doing in this new category, we've started to measure our cash conversion cycle (Inventory days + receivable days – payable days). Ideally this number is as low as possible. We report on this monthly, which allows us to assess the seasonality in our business and analyze swings. If we see something that looks odd, we start drilling down into the detail to determine what is the root cause. It's helped as we've seen improvements in our working capital."

Ivana Krpan – Vice President, Finance, LS Travel Retail North America

Using dashboards and incentives to manage inventory

" Sales guys feel that they have the world in their palm right now. With overstock situations, inventory is not a problem. They say: "We'll sell it, don't worry, we need lots to react to the demand". But it is a problem, so we are looking at our business in a way that has not been done before in trying to manage working capital in this new environment. It's not just about the key metrics or having ideal targets, it's us finally coming to grips with what we actually have tied up in inventory and how can we really grow, because effectively managing working capital is the key."

Dan Clarke – President, Climate Technical Gear Ltd.

"At a former company, they went to dashboards, and the dashboards were standard across the organization so everyone was seeing the same information. And all the project managers were held to task at a monthly meeting in the various different categories."

Allan MacDougall – Global Director of Finance, Dumas Contracting Ltd.

OVERALL PERFORMANCE ACROSS THE SURVEY POOL

The largest number (one third) said their net working capital is more than 20% of sales. Seventeen percent said their working capital was 0-5%, and one in 10 actually had negative working capital. Differences emerged when companies were broken out by corporate structure. Small public companies tended to have high levels of net working capital as a percentage of sales, while small private companies tended to have the lowest levels. Industry type is a major driver of working capital as a percentage of sales and more capital intensive sectors (construction, manufacturing, natural resources) tend to carry higher levels of working capital to support sales. Generally there are aspirational targets by industry, however the performance will only be relative to the best that company can be (driven by customer mix, supplier mix, product mix, production locations, negotiating leverage etc.).

Most organizations which have a high net working capital as a percentage of sales say their organization places a high or very high level of importance on managing working capital. For instance, of organizations in which net working capital was greater than 20% of sales, 54% said their enterprise placed a high or very high level of importance on working capital, and 33% said the importance was somewhat high. The majority of those with negative working capital also placed a very high importance on working capital in their organization. **See Table 4.**

TABLE 4

How would you rate the level of importance by which working capital is placed in the organization?

What is your net working capital as a percentage of sales?	Very low (4%)	Low (15%)	Somewhat high (29%)	High (31%)	Very high (22%)	Total (100%)
>20% (32%)	2%	10%	34%	33%	21%	100%
10-20% (26%)	0%	9%	39%	26%	26%	100%
5-10% (16%)	5%	14%	28%	29%	24%	100%
0-5% (16%)	10%	33%	14%	38%	5%	100%
Negative (10%)	8%	17%	17%	25%	33%	100%

PLANNED IMPROVEMENTS

PLANNING PROGRAM IN THE NEXT 12 MONTHS

In comparison with the 48% of companies who executed a working capital improvement program over the last 12 months a similar number (53%) plan to implement an improvement program in the next 12 months; 35% did not, and 12% were undecided. Of those companies who undertook an improvement program, the vast majority were planning another in the next 12 months (80%) while 16% were not, and 3% were undecided. The majority of those who had not undertaken a program in the past were not planning another, indicating that organizations seeking to improve their progress view it as a continuous, ongoing process.

The more than half of participants who said they were planning a working capital improvement program over the next 12 months, said they were doing so with the goal of meeting annual free cash flow targets (53%), with many of these companies having working capital of free cash flow tied in as a variable component of management compensation.

Another major goal for survey participants who planned to improve their working capital was to pay down debt (40%). One survey respondent wrote that their organization wanted to reduce reliance on banking facilities. "Limited access to credit spurred working capital improvement programs," the survey respondent wrote. Other reasons included funding acquisitions (29%), returning cash to shareholders (27%), and pressure from stakeholders (25%). Survey respondents also mentioned a desire to turn assets into cash, to free up money for expansion purposes, and another mentioned being motivated by an industry downturn three years ago with constant pressure on finance availability.

"Far too much capital invested in W/C. Inventory showing increases in slow moving stock, sales allowing extended credit terms and without down payments."
– Survey respondent

"Our cash reserves have taken a significant hit, and we are managing cash cycles week by week (whereas before, we did not need to do this as we had sufficient cash reserves)."
– Survey respondent

KEY CHANGES PLANNED

Changes in working capital management due to corporate priorities: Organizations outline a range of changes due to future corporate priorities. For instance, one large private company was planning to change its billing cycle. Another planned to incorporate more rigid discipline to manage inventories. Another survey respondent, also a large private company, wrote that their organization's plan is to "maintain focus and rigor over working capital as we are expanding and in a growth program that if not controlled can impact us negatively." Several companies were planning changes due to upcoming acquisitions. Several companies mentioned plans to seek financing, either through equity, or other sources. One company mentioned an upcoming debt repayment that was due.

"Better understanding of working capital will allow us to change the focus of our business lines to those which use it more efficiently."
– Survey respondent, large public company

"In the case of deceleration obviously would be forced to restrict growth plans due to working capital restraints. In the case of acceleration would need to secure additional sources of working capital to facilitate growth."
– Survey respondent, small private company

Changes due to acceleration or deceleration in the economy: One survey respondent observed that clients were moving to 60 and 90 day payment terms. Another said their enterprise needed to do more forecasting of short-term needs. One small private company said it needed to focus on "preservation of cash to ensure we can take advantage of opportunities in our key markets."

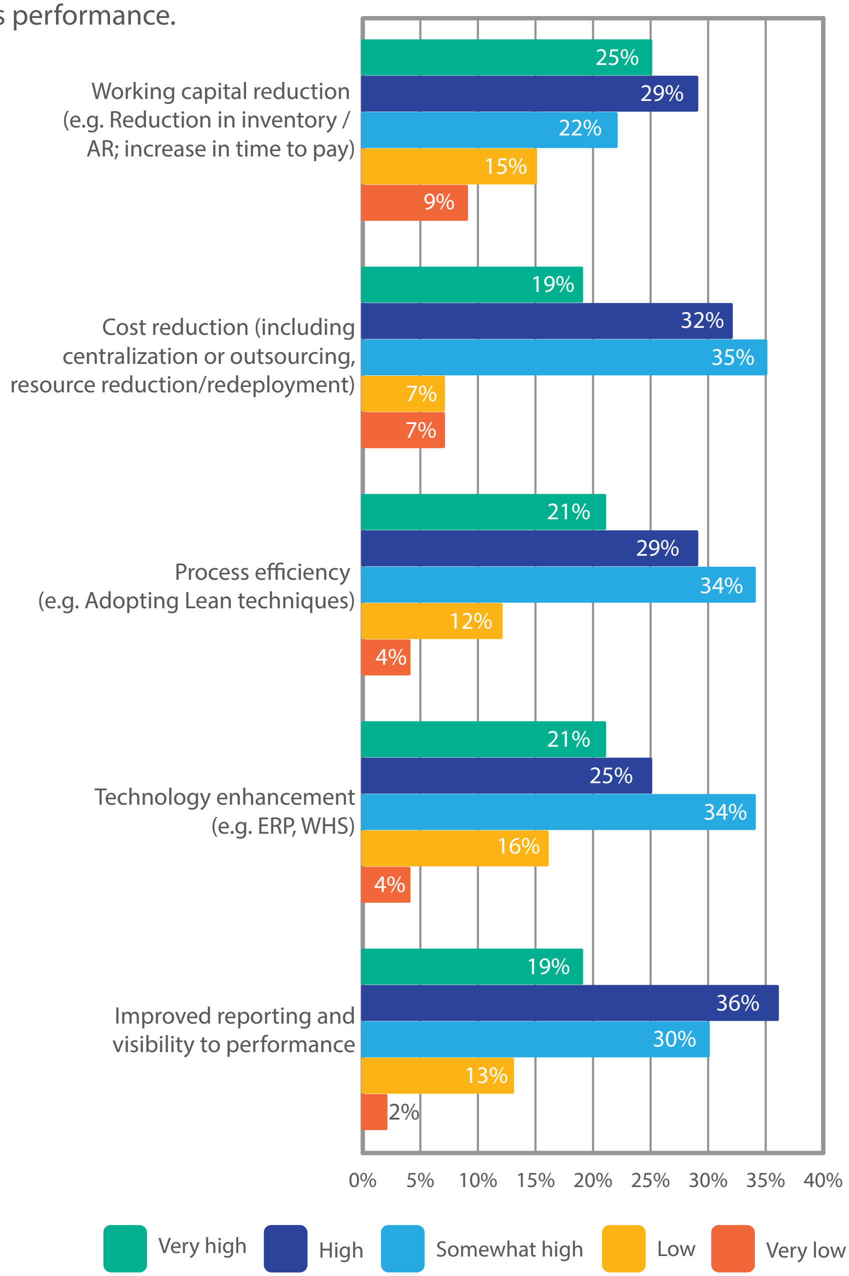
"We would move our working capital distribution into products where we think the products will move more effectively, and reduce total inventories."
– Survey respondent, large public company

AREAS OF FOCUS: FINANCE AND WORKING CAPITAL PROCESSES

When asked about areas of focus for finance and working capital processes, more than half of all survey respondents said improving reporting and visibility to performance was a high or very high priority. In addition, more than half said working capital reduction, such as reducing inventory, accounts receivable and increasing time to pay suppliers, was a high or very high priority (**Chart 4**).

What is clear is that finance executives have many competing priorities moving into 2013 and management's time will become ever more precious. Ultimately, many areas of focus are complimentary and management should ensure that when conducting a project, the cash impact (both the investment and the benefits) are considered at all stages during execution. In addition, it is important to not take attention away from the business performance.

CHART 4 – AREAS OF FOCUS FOR FINANCE AND WORKING CAPITAL PROCESSES



GETTING THE ORGANIZATION ON BOARD

Getting non-finance staff on board can be a challenge for working capital improvement initiatives. According to John Forester, CFO of DBG Canada Ltd., a good strategy when working with operations staff is to bring up working capital improvement when they make a request for a capital spend, in order to link the two issues. "So they have a vested interest to help me hit those working capital targets, because they know that they will have some more room to do some of the things they want. You always have to look for the obvious connection to the working capital, again it's a case of balancing priorities." Alternatively, finance can encourage operations to consider working capital by letting them know that when cash is tight, it slows, for instance, payments to key suppliers, which could in turn affect operations. "Every time you can connect the dots as to how it enables them to do the other things by staying focused on the working capital issue, that's where you're starting to get the buy in and the support you need from the operations, because the finance people are not going to get it to happen by themselves."

"The way I've positioned the importance of reducing DSO, whether it's to senior managers or all employees, when we reduce the DSO by a day it represents about $2 million in the bank account. Now reduce it by five, that's $10 million. That's the cost of a small acquisition for us. So then for the leaders, it starts to mean something. They all have their list of acquisitions targets that they discuss with the CEO. If you start your conversation with - I've reduced my DSO, I've unlocked so many millions, now can we talk about acquisitions. That's the incentive."

Raymond Castonguay – Senior VP, Finance, Morneau Shepell Inc.

Working capital or free cash flow performance were not embedded into management's variable compensation, according to 69% of survey respondents. Sixty percent of those who did have working capital or free cash flow performance tied to compensation were more likely to have implemented a working capital improvement program over the past 12 months. The compensation ranged widely for the 39% who did have an element of incentivization from 5% to 100% of variable pay, with the average being 25%.

Interestingly, one forum participant recalled starting as CFO in a company that had a "horrendous" working capital problem, with DSO of 127 days and a 99% utilization of their bank line of credit. In the second week of his tenure, they changed the senior manager incentive plan to make working capital the basis of one third of their bonus. "This created the needed focus, and the DSO fell by half within nine months, freeing up cash to pay down the bank line significantly," the executive recalled.

> "For accounts receivable, an effective tool is to tie the payment of commission to the collection of the account. This works very well, your sales representatives help with the collection and they make sure that there is no problem with the invoicing. If there is a problem with an invoice, instead of putting it in the drawer and saying we'll fix it later, they fix it now to improve the cash conversion cycle."
>
> **Carl Gauvreau – President, Gauco Inc.**

Compensation and other incentives are just one element of gaining organizational buy-in. Ultimately, improvement is generally driven by a change in behaviours. It requires strong leadership, a consistent and repeated communication, sufficient metrics and visibility and ensuring any incentives are tied to areas that the individuals being managed can freely influence performance.

CREDIT AVAILABILITY

Companies overall were expecting working capital financing would be slightly less available in fall 2013. **See Chart 5**. As in past years, small public companies were most likely to say that working capital financing would be "not very available" or "not at all available". Thirty-four percent of small public companies said this in September 2012, although, ever optimistic, the small publics expect conditions to improve a year later to 13%. Again, as in past years, large public companies said that working capital financing was freely available to them (92% said it was "very available" to them in September 2012 and the remainder said it was somewhat available). They did not expect conditions to change by September 2013.

CHART 5 – RATE YOUR ORGANIZATION'S ABILITY TO OBTAIN SUFFICIENT WORKING CAPITAL FINANCING TO ACHIEVE ITS BUSINESS OBJECTIVES:

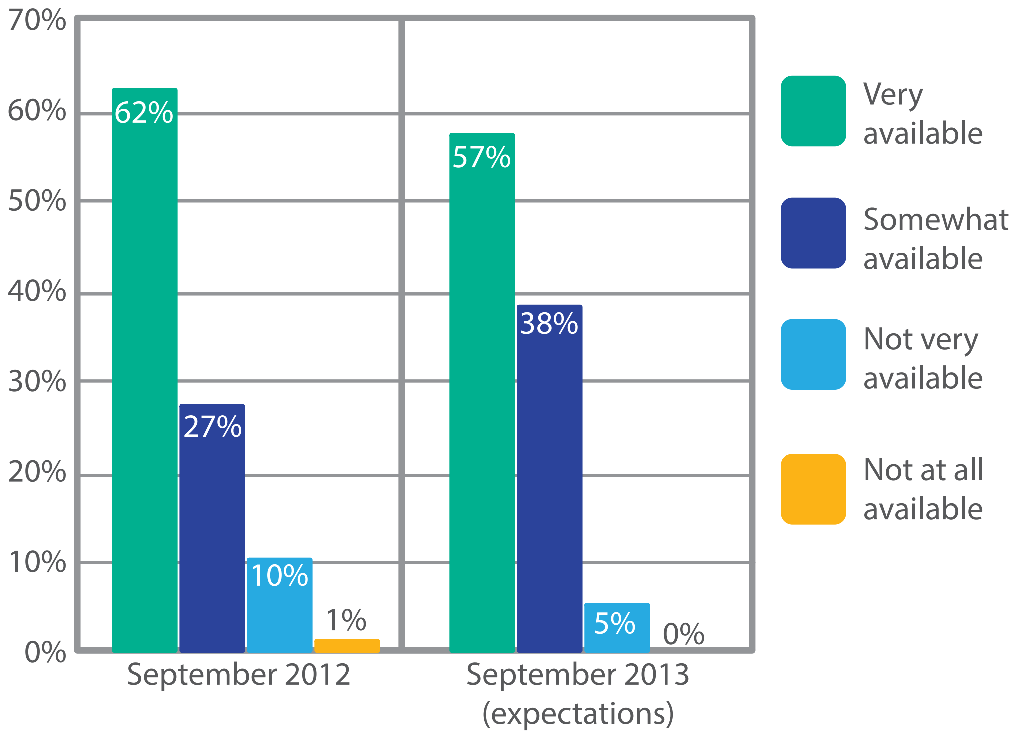


CHART 6 – RATE YOUR ORGANIZATION'S ABILITY TO OBTAIN SUFFICIENT WORKING CAPITAL FINANCING TO ACHIEVE ITS BUSINESS OBJECTIVES:

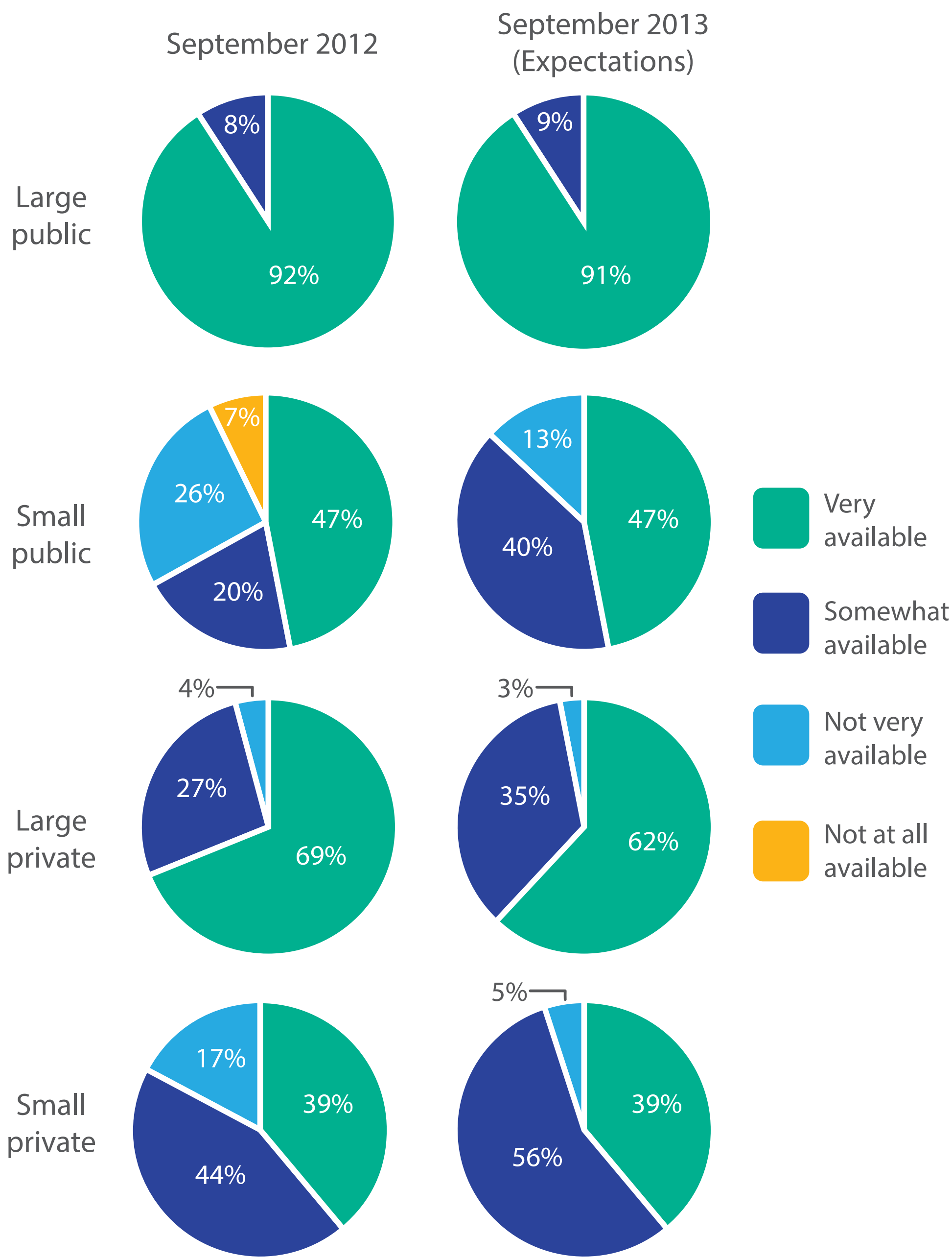
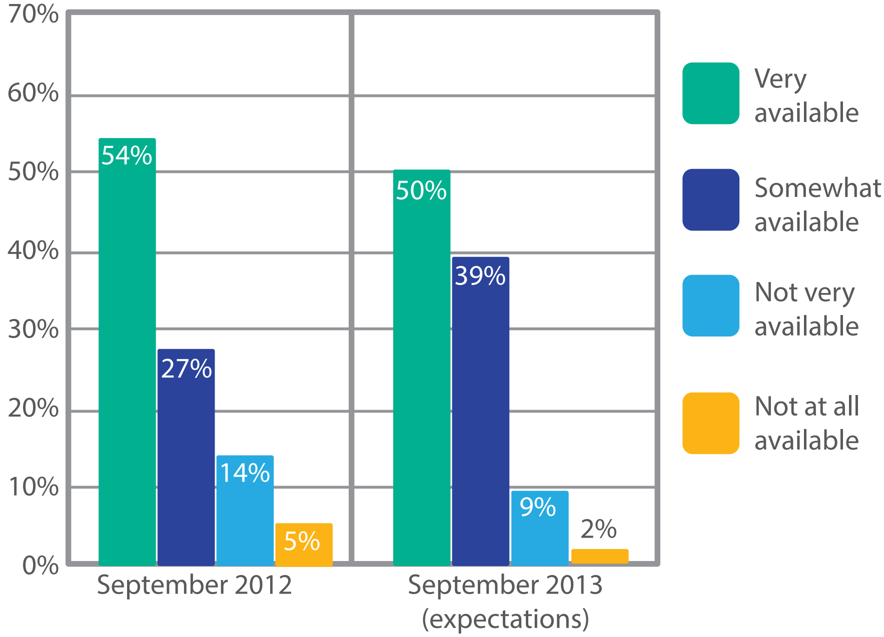


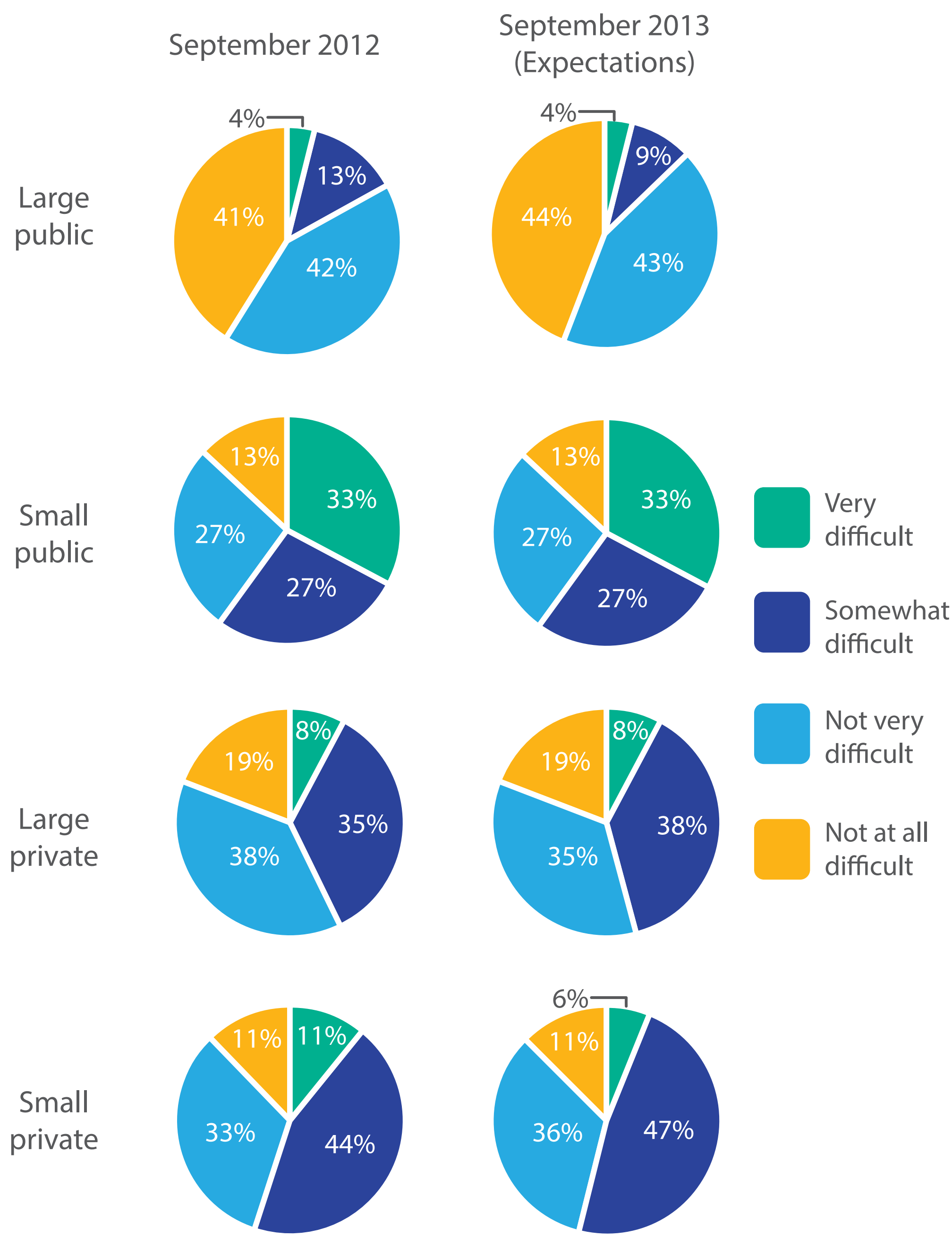
CHART 7 – RATE YOUR ORGANIZATION'S ABILITY TO OBTAIN SUFFICIENT LONG TERM FINANCING: FIXED ASSET, EQUIPMENT, ACQUISITION FINANCING ETC. TO ACHIEVE ITS BUSINESS OBJECTIVES:



Survey particpants were anticipating slight changes in the availability of long term financing from September 2012 to September 2013. Fewer respondents thought this kind of credit would be "very available." However, a significant number revised their previously pessimistic views from not very or nor at all available to "somewhat available."

When asked about the difficulty of the process to obtain credit, not much change was anticipated overall by survey respondents from the state of affairs in September 2012 to September 2013 (**Chart 8**). As in past years, small public companies were most likely to rate the process for obtaining credit to be very difficult (33% in September 2012) with a further 27% stating it was somewhat difficult. In comparison, only 4% of large public companies said the process was very difficult, and only 13% said it was somewhat difficult. Forty-two percent described the process as not at all difficult. As in past years, the private companies fell in between the two extremes.

CHART 8 – RATE YOUR ORGANIZATION'S DIFFICULTY OF THE PROCESS TO OBTAIN CREDIT (E.G. TIME TO ARRANGE, COVENANT RESTRICTIONS, REFINANCING TERMS):



Many respondents expressed concerns about the challenges connected with debt refinancing; nearly half the respondents were concerned about unattractive terms and conditions. **See Chart 9.**

When broken down by company structure, large private companies were most concerned about unattractive terms and conditions of refinancing (58%), as were large publics (56%), while small private companies were most concerned about lack of viable alternatives to bank debt (50%), as were small publics (40%).

CHART 9 – RATE YOUR ORGANIZATION'S DIFFICULTY OF THE PROCESS TO OBTAIN CREDIT (E.G. TIME TO ARRANGE, COVENANT RESTRICTIONS, REFINANCING TERMS):

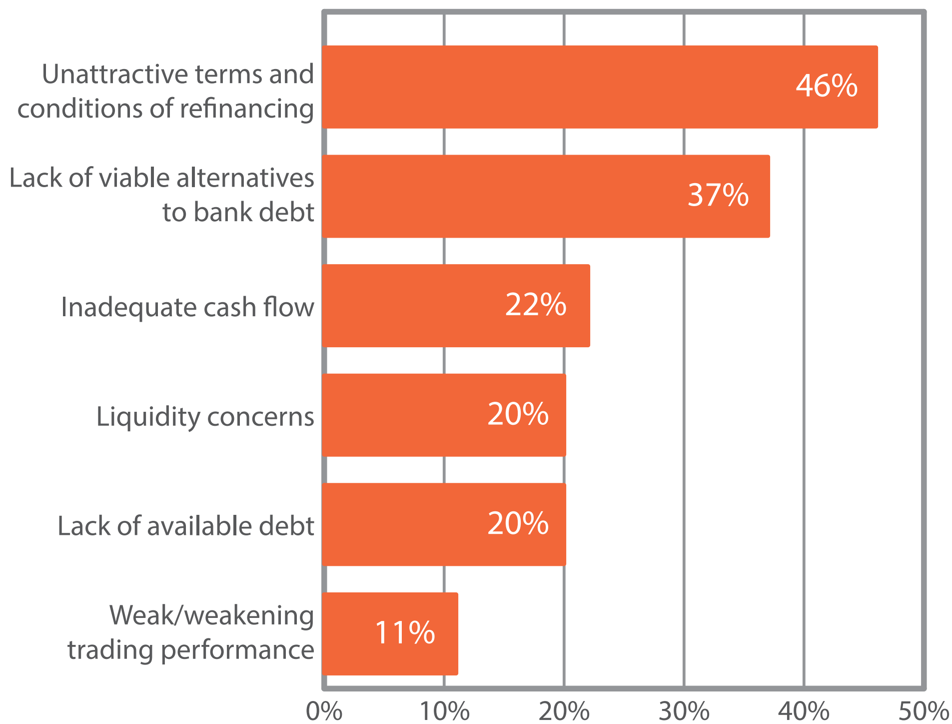
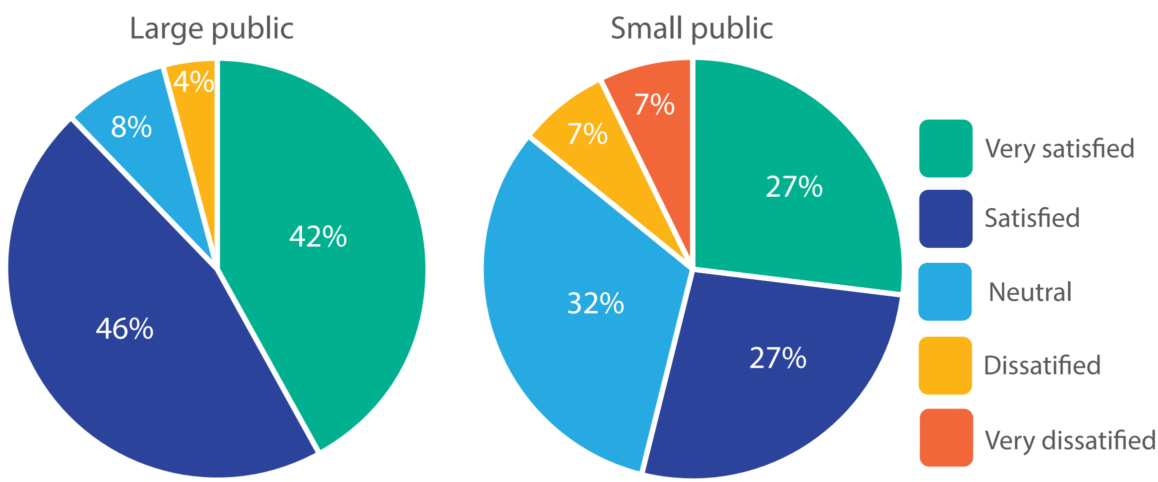


CHART 10 – HOW SATISFIED ARE YOU WITH YOUR CURRENT BANKER?



Most survey respondents said they were either satisfied or very satisfied with their current banker (69%). Large public companies were most likely to be satisfied or very satisfied (88%), followed by large private (69%), small private (63%). Not surprisingly given their greater difficulties obtaining credit, small public companies were somewhat less likely to be satisfied or very satisfied with their current banker (54%).

Three quarters were not considering changing their bank within the year. Small public companies were the most likely to be considering a change (20%), while large publics were least likely (12%).

Eighty percent of all survey respondents found their bank financial covenants to be reasonable. Large public companies were mostly likely to say this (96%). Small private companies were less likely to say so (81%), as were large private companies (76%). Only 60% of small public companies found their bank covenants to be reasonable.

GOING FORWARD – STRATEGIES FOR MANAGING WORKING CAPITAL

The vast majority of survey respondents (80%) said operational efficiencies and cost reductions are a priority which will require management during the coming year. This was followed by profitability (75%), acquisitions (54%) and implementing new IT systems / platforms to improve management or visibility of working capital (50%). Even though working capital priority is lower compared to other items noted, cash flow is ultimately ingrained in other initiatives. Cost reduction programs – whether it be for funding the initiative or impacting the flow of cash for working capital – should always be a component of any plan.

It is important for financial executives to monitor an organization's cash flow vital signs, implement improvements and refine responsibilities. However, to achieve significant improvement in working capital management, the financial executive must take a more holistic view of the task.

By incorporating best practices of working capital management throughout the enterprise, working with all divisions, financial executives can break through silos which may be hampering progress. This can be achieved through communication and education with employees across all departments, to help them understand why a culture of cash is important to the health of the organization. Everyone has a role to play in optimizing working capital. Results can be achieved with incentives or other motivational mechanisms to encourage individual employees and corporate units to take responsibility for their own role in optimizing working capital.

Some specific issues to consider when embarking on a working capital management program include the following:

Receivables: Although there is a perception that collection calls can damage customer relationships, this need not be the case. The first call, for instance, can be a service call rather than a pure collection call. In many cases, the invoice itself may be delayed in distribution, is not accurate or a potential dispute exists. Any of these could be the reason behind a delayed payment. Organizations should ensure controls are in place to identify and resolve invoice issues or other disputes prior to the due date.

Just as a company would analyze its customer database for marketing purposes, so should it for accounts receivable. Organizations should ensure they have sufficient reporting at the customer level to monitor payment patterns and identify persistent late payers. At a minimum, customer days sales outstanding should be monitored, however a transactional based metric (e.g. weighted average days to receive payment) will provide the most accurate performance trends.

Knowledge gained from reporting, together with an understanding of relevant market forces, can assist an organization to develop collections strategies. Instead of treating every customer the same way, organizations can consider a more segmented and tailored approach, based on long-term trends and red flags (for instance, is the average payment period for a particular customer or group of customers increasing?). Certain customers should be contacted ahead of the due date, while others will require a cross functional approach leveraging the sales department to ensure all channels of contact are open. If a customer is taking an early payment discount and paying late, these should be reclaimed.

Finally, it is important to ensure credit limits are appropriate for the customer or industry to manage risk of non-payment. Are credit limits being followed, revised or refreshed on a consistent basis? A close management of credit is important to preserve working capital performance and prevent the risk of bad debt.

Payables: Ideally organizations should ensure at a minimum that cash disbursements are paid no quicker than cash being received from customers. Organizations can analyze their supplier base with a view to taking full advantage of the best payment terms available. This will be dependent on managing the trade-offs (price, service, cash flow, etc.) that exist within a contractual negotiation. A supplier that is more expensive may still be preferable than a less expensive supplier, if its payments terms are better. Is purchasing centralized, in order to ensure purchasing power is leveraged to achieve the best terms and conditions possible? Is there an authorization process in effect to ensure procurement is following the terms of the contracts?

Are companies making early payments unnecessarily? Are early payment discounts being used or missed? Monitoring the disbursements to suppliers is critical to prevent early or late payments and even duplicated payments, often not detected by organizations.

In addition, financial executives should work to ensure that the payables process is as streamlined and efficient as possible, taking advantage of opportunities for automation while still incorporating best practices and the highest standards of internal control. For instance, do receiving processes ensure that goods and services that have not been received are not paid for in error? Do invoices actually match the purchase order?

Inventory management: This is an area with many moving parts for companies to manage. When there is an excess of inventory, this creates a drag on working capital. Fluctuations in demand are difficult to forecast with accuracy. Organizations should ensure they adopt a robust sales and operations planning process including meeting regularly (minimum monthly), establishing a single point of accountability for inventory performance, monitoring demand patterns and adjusting orders and manufacturing to reflect current requirements.

Slow moving or excess inventory should be monitored with root causes understood. Strategies should be put in place to work through excess inventory and to dispose of inventory that has become obsolete. It is also important to make sure that inventory data are accurate, complete and that their integrity is preserved.

Supplier reliability should be a key area of review. Are suppliers delivering to contractual obligations (i.e. on time in full)? Early or late receipts can impact supply patterns causing need for additional safety stock to manage the variability and also potentially triggering payments to suppliers earlier than required. Results of monitoring should be shared with suppliers on a continuous basis to ensure they are aware and can address issues that may exist.

In addition, to ensure working capital performance is meeting objectives, sufficient detailed reporting should be established across all areas of working capital. Metrics should be specific to the material drivers of performance and reviewed on a regular basis (at least weekly) by relevant process stakeholders and management. These metrics can also be tied in with variable compensation to ensure sufficient motivation is in place across the organization and that strong performance is rewarded.

CONCLUSION –THERE IS NO SILVER BULLET

Misconceptions on the importance of effective working capital management (e.g. limited return, impact to external relationships) abound but it is important that all companies apply a high priority to its effective management due to the rewards it can deliver. Working capital improvement is a company-wide challenge that must be ingrained in the processes, policies and behaviours of the business. A continuous improvement mindset is needed to either retain or improve current performance (protecting against external factors in an uncertain economy) and not make working capital management a period end or window dressing event.

Major business events such as acquisitions or mergers often drive the need to look at working capital. Cash flow released from working capital can help to accelerate the payback and synergies of these transactions. However, companies should not restrict themselves to these events and always be looking to drive cash out of working capital. For example, companies should continuously seek to renegotiate key supplier and customer agreements around all value drivers, including cash flow. Going into negotiations with increased sales or spend can provide additional leverage in these discussions.

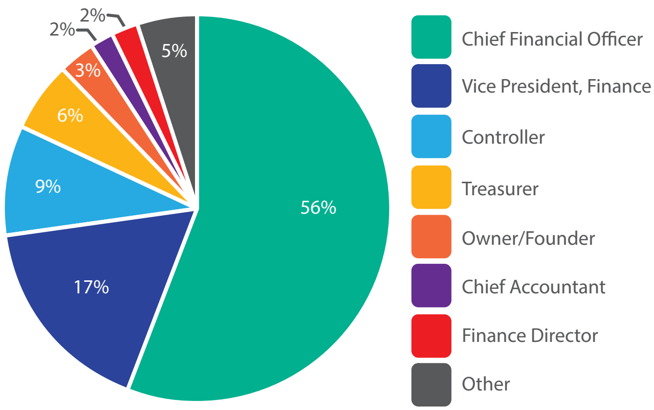
There are many elements of working capital management that companies must take into account. The individual circumstance of each company requires an individualized approach, and companies must consider all options in order to determine the best method for their unique situation. No "one size fits all" solution exists, but cash released from working capital is the cheapest source of incremental cash and although financing is currently readily available, it is a source of liquidity that no company can afford to overlook.

"Working capital needs to be a company-wide initiative. It truly is cross functional and requires a focus on change management. I've seen more working capital initiatives led by finance fail, as opposed to when it's led by the organization. Finance can provide some of the metrics to keep the score card, but if it is actually owned and championed by the business. We created a Working Capital champion in one of our divisions at MDS, and incorporated the results as part of their scorecard and monthly operating review. That enabled us to get both traction around the working capital enhancements, but also to make it stick."

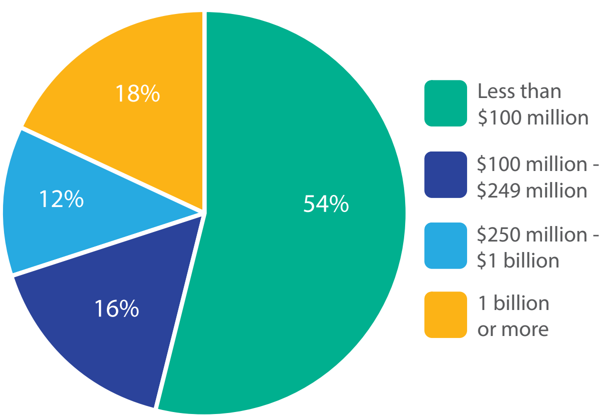
Catherine Fels-Smith – VP, Finance and Operations, Toronto Region Board of Trade

APPENDIX A: DEMOGRAPHICS

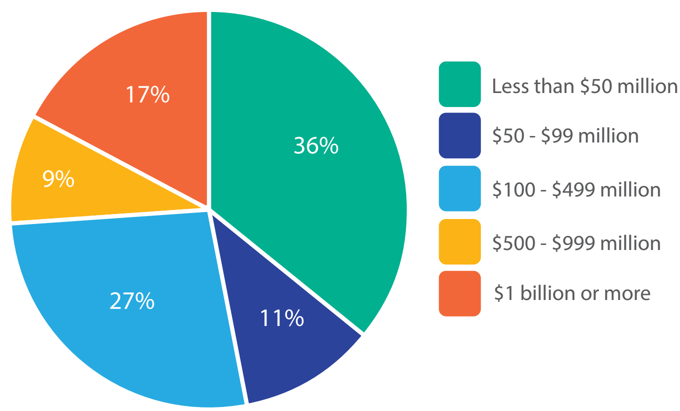
POSITION TITLE



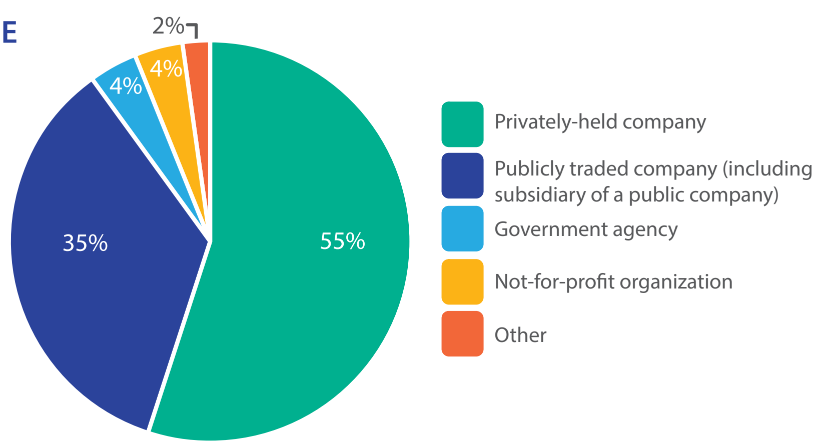
MARKET CAPITALIZATION



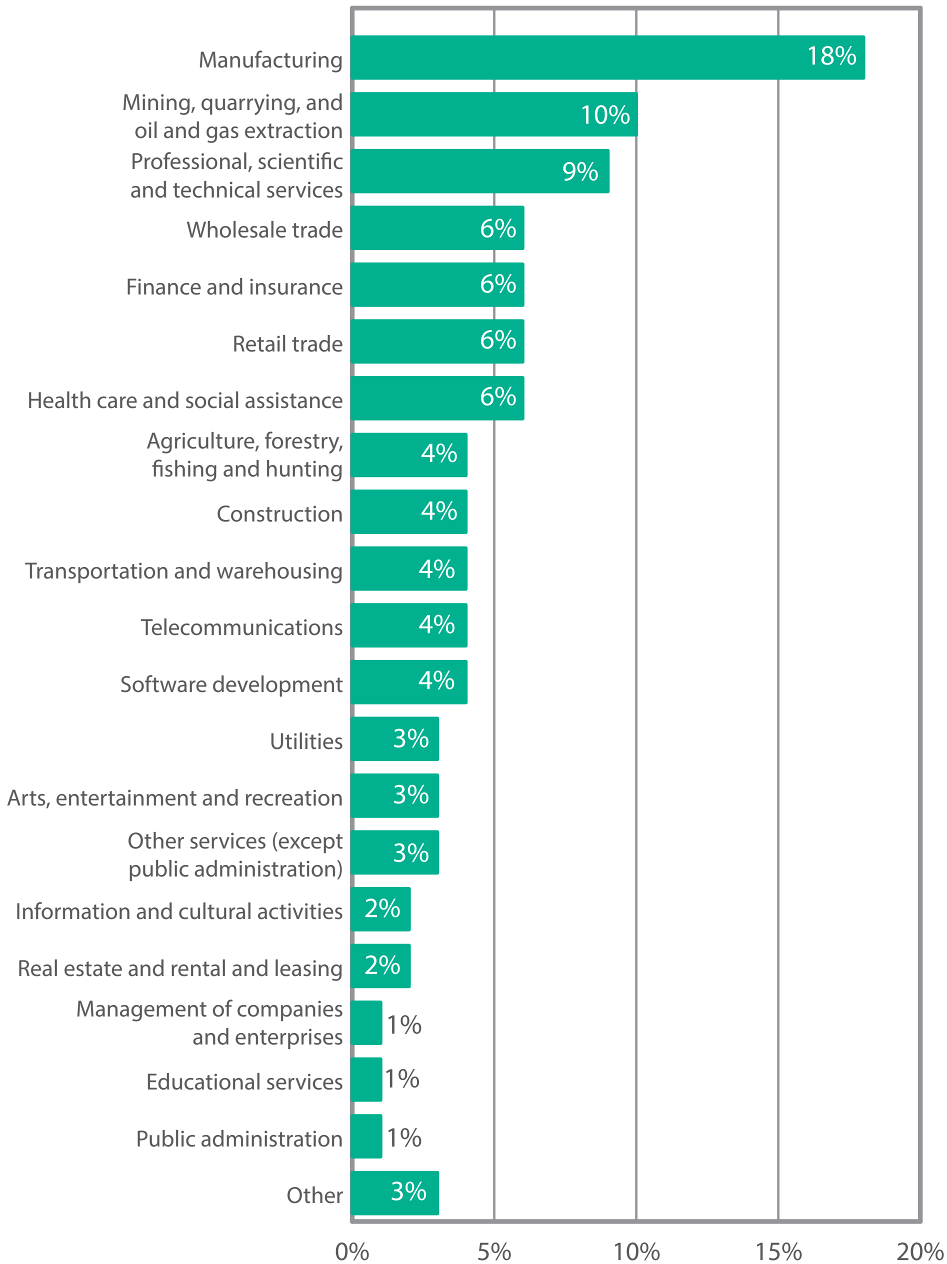
ANNUAL REVENUE



CORPORATE STRUCTURE



INDUSTRY CLASSIFICATION



APPENDIX B: ADDITIONAL CHARTS

What is your net working capital as a percentage of sales

Industry Classification

	>20%	10-20%	5-10%	0-5%	Negative	Total
Agriculture, forestry, fishing and hunting	75%	25%	0%	0%	0%	100%
Mining, quarrying, and oil and gas extraction	45%	9%	18%	9%	18%	100%
Utilities	0%	33%	33%	33%	0%	100%
Construction	25%	0%	0%	75%	0%	100%
Manufacturing	26%	37%	5%	21%	11%	100%
Wholesale trade	29%	57%	0%	14%	0%	100%
Retail trade	33%	17%	17%	17%	17%	100%
Transportation and warehousing	25%	50%	25%	0%	0%	100%
Information and cultural activities	0%	50%	0%	0%	50%	100%
Finance and insurance	43%	0%	0%	29%	29%	100%
Real estate and rental and leasing	50%	0%	0%	50%	0%	100%
Professional, scientific and technical services	56%	0%	33%	11%	0%	100%
Management of companies and enterprises	0%	0%	0%	100%	0%	100%
Administrative and support, waste management and remediation services	0%	0%	0%	0%	0%	100%
Educational services	0%	0%	0%	100%	0%	100%
Health care and social assistance	33%	33%	33%	0%	0%	100%
Arts, entertainment and recreation	0%	0%	33%	33%	33%	100%
Accommodation and food services	0%	0%	0%	0%	0%	100%
Other services (except public administration)	0%	67%	33%	0%	0%	100%
Public administration	0%	100%	0%	0%	0%	100%
Other (please specify):	40%	25%	20%	5%	10%	100%
Total	34%	25%	15%	17%	10%	100%

APPENDIX C: FORUM PARTICIPANTS

Forum Chair:	Michael Conway – Chief Executive & National President, FEI Canada
Moderators:	Christian Bellavance – VP, Research & Communications, FEI Canada Simon Rockcliffe – Senior Manager, Working Capital Advisory Services, Ernst & Young
Toronto Participants:	Raymond Castonguay – SVP, Finance, Morneau Shepell Inc. Dan Clarke – President , Climate Technical Gear Ltd. Catherine Fels-Smith – VP, Finance & Operations, Toronto Region Board of Trade John Forester – CFO, DBG Canada Ltd. Carl Gauvreau – Président, Gauco Inc. John Glicksman – EVP & CFO, PowerStream Inc. Ivana Krpan – Vice President, Finance, LS Travel Retail North America Hanif Ladha – VP Financial Planning and Operations Support, G4S Cash Services (Canada) Ltd. Barry Levine – Associate Partner, Ernst & Young Allan MacDougall – Global Director of Finance, Dumas Contracting Chris Stepanuik – Vice President, Working Capital Advisory Services, Ernst & Young
Montreal Participants:	Ryan Beck – Senior Manager, Advisory Services, Ernst & Young Philippe Bonin – Corporate Treasurer, Transcontinental Inc. Ross Corcoran – VP Finance & CFO, Global Railway Industries Ltd Marc Godin – VP & CFO, Dessau Inc. Richard Morrison – Président, IRR Capital Inc. Pierre Van Gheluwe – Treasurer, Yellow Media Inc.
Observers:	Toni Amato – Thought Leadership Specialist, Ernst & Young Laura Bobak – Senior Writer, FEI Canada Melissa Gibson – Communications & Research Manager, FEI Canada

THE CANADIAN FINANCIAL EXECUTIVES RESEARCH FOUNDATION (CFERF) is the non-profit research institute of FEI Canada. The foundation's mandate is to advance the profession and practices of financial management through research. CFERF undertakes objective research projects relevant to the needs of FEI Canada's 1,800 members in working toward the advancement of corporate efficiency in Canada. Further information can be found at www.feicanada.org.

FINANCIAL EXECUTIVES INTERNATIONAL CANADA (FEI CANADA) is the all industry professional membership association for senior financial executives. With eleven chapters across Canada and 1,800 members, FEI Canada provides professional development, thought leadership and advocacy services to its members. The association membership, which consists of Chief Financial Officers, Audit Committee Directors and senior executives in the Finance, Controller, Treasury and Taxation functions, represents a significant number of Canada's leading and most influential corporations. Further information can be found at www.feicanada.org.

ERNST& YOUNG LLP is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 167,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential. For more information, please visit ey.com/ca

CORPORATE DONORS:

GOLD ($10,000 +):
Husky Energy Inc.
Bell Canada

SILVER ($5,000-10,000):
Agrium Inc.
CGI Group Inc.
Imperial Oil Ltd.

BRONZE ($1,000-5,000):
Canadian Western Bank Group
Open Text Corporation
PotashCorp

FEI CANADA'S RESEARCH TEAM:

Michael Conway – Chief Executive & National President

Christian Bellavance – Vice President, Research & Communications

Laura Bobak – Senior Writer

Melissa Gibson – Communications & Research Manager

170 University Avenue, Suite 1201
Toronto, ON M5H 3B3
T   416.366.3007
F   416.336.3008
www.feicanada.org

cferf

canadian financial executives
research foundation

fondation de recherche des dirigeants financiers du canada