

PAYOUT



OFFENSIVE EXCESS?

Soaring executive payouts garner criticism, especially when paid to the likes of Robert Nardelli, Home Depot's departing CEO.

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COMMENT

SEA CHANGE

The global workplace is creating new rules that force companies to hire a different kind of employee.

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LEFT AT THE ALTAR

Company's 11th-hour decision not to hire leading candidate likely due to poor communication, says James Parr.

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PAY DAY



GOOD TIMES

Demand for legal services continues to lift salaries.

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STRATEGY

MOTIVATE THIS Workplace culture may determine who will stay and who will go.

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DESIGNATION SETS SALARY

In Canada, CFAs with 10 years experience earn 35% more than their MBA counterparts



COMMENT

A boss by any other name



HOWARD LEVITT
Workplace Law

He said true things, but called them by wrong names.

Elizabeth Barrett Browning sometimes labels inaccurate portrayals what it purports to describe. In La-Z-Boy Canada Ltd.'s case, it would have saved a lot of time, money, and aggravation if the company had not tried to label its action Braden as something he was not.

Braden began working for La-Z-Boy in 1981 as a customer service manager. As he worked his way up the corporate ladder to become a sales agent, his compensation structure evolved from 100% salary to 100% commis-

sed. The trouble began when La-Z-Boy effectively gave him two choices: Sign an agreement as an independent sales and marketing consultant, or lose his job. Braden signed on the dotted line.

Shortly after, La-Z-Boy sent Braden down and attempted to further distance their relationship. It insisted he incorporate and pay his own Employee Health Tax and Workplace Safety

THE CHANGES WERE,

HE BEGAN TO PAY

HIS OWN EXPENSES

and Insurance Board premiums. He was effectively given the same choice: Comply or lose his job. And so, seemingly, Braden again complied.

But nothing changed in how Braden did the job or in his compensation. The big changes were he began to pay his own expenses, his paid health benefits and matching RSP contributions ceased, and La-Z-Boy began paying him less.

He didn't spend much time at the La-Z-Boy offices. In fact, he went into the office only once every few months, controlled his own hours of work and was in charge of his own activities when dealing with customers.

Yet, despite the incorporation, Braden was required to be actively involved. Without La-Z-Boy's consent, he couldn't sell other merchandise, even if it did not compete with La-Z-Boy. The company imposed sales quotas on him, required him to attend trade shows, told him to rent office space, and restricted the designs and prices of Braden's customer orders.

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CFA to become global passport

BY DEREK SANKEY

A boom in private wealth management and the globalization of world financial markets is causing a convergence in the finance and investment industry, where the money you earn on the job may just depend on the letters that follow your name.

The broad field of finance is undergoing a shift toward global standards in regard to credentials, and in various sectors of the industry, different designations are emerging as leaders, according to certification bodies.

Chartered Financial Analysts (CFAs) are battling it out with Masters of Business Administration (MBAs) to be considered the global standard for creden-

tials in the field of investment.

But it's the CFA designation that convergence in global financial markets has pushed to become the rapidly emerging world standard for chief investment officers, equity analysts and other investment professionals.

"The flow of money around the world, globalization of capital markets, and the growth of pension plan coverage flows is exploding without any question," says Jeff Diemerle, president of the Chantilly, Va.-based CFA Institute. "The (CFA) designation has become a global passport for people in a highly lucrative industry."

A study by the CFA Institute and Russell Reynolds Associates shows that, globally, CFA-holders out-earn their MBA-holding counterparts by 24% (median average salary of \$248,000 versus \$200,000) for people with at least 10

years of experience.

Length of experience aside, the gap is even wider. Those with the CFA designation command compensation levels 54% higher than those without it (\$180,000 versus \$116,000).

"The appeal with the CFA designation is that it's a very difficult designation to earn and it's really a global passport," says Blaine Lennox, a CFA graduate and partner at investment counselling firm Jarvislowy Fraser Ltd. in Calgary.

In Canada, the discrepancy between earning power of an MBA and a CFA in a similar role is even greater than the global average. CFA-holders with 10 years of experience earn 35% more, while the average regardless of experience is 26% more than an MBA grad, according to the study.

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COMMENT

Compensation gap conundrum

BY MARK SUTCLIFFE

whether the exorbitant pay earned by the highest-paid CEOs in Canada is a problem for society or just a convenient target.

The Canadian Centre for Policy Alternatives recently noted that the average of Canada's 100 highest-paid chief executives had earned more in the first 48 days of 2007 than the average Canadian will earn the entire year. To illustrate the point, the CCPA pro-

duced a bar graph that makes the average annual salary of the top 100 CEOs look like the Empire State Building next to a barely visible bar representing the average Canadian salary.

Shockingly, isn't it? But what's the point? The fact there is an unequal distribution of wealth in the world is nothing new. Neither is the fact some jobs pay a lot better than others. So, does the CCPA explore the consequences of this inequality? Does it recommend any action? No. We're all just supposed to recoil in horror at the bar graph.

There's no question executive

compensation is rising at a faster rate than average pay. A recent report in the *New York Times*, noted earlier this month, says corporations make 170 times the typical CEO, a ratio that has more than quadrupled since 1980.

In Canada, the highest-paid CEO in 2005 was a man most Canadians have never heard of: Hank Swartout of Precision Drilling Trust, who pulled in more than \$74-million. Hunter Harrison, CEO of Canadian National Railway, earned \$56-million and change while Magna's Frank Stronach received \$40-million.

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Precision Drilling Trust's Hank Swartout: Little-known CEO made the most in 2005.

Professional skills travel well

DESIGNATION

Continued from WK1

As the past president of the Calgary CFA Society, Mr. Lennox says he hears about more employers encouraging or requiring their investment professionals to acquire a CFA because global market analysis increasingly requires a globally accepted designation and skill set.

"The skill set you learn and acquire by going through the CFA program travels very well," Mr. Lennox says, adding the same exam is taken in English around the world.

"From the standpoint of an employer ... if a person has their CFA designation you don't have to differentiate them from all the different [MBA] schools that applicants come from."

It's not easy to earn the CFA designation: 50% of candidates fail the three-exam process each time. It's a 6,000-page manual requiring at least 750 hours of study and an additional four years of work experience.

Mr. Lennox says the material covers valuation, risk analysis, financial accounting, portfolio management, ethics and a broad range of other investment-related topics.

Growth in membership has exploded in the past five years. There are now 86,000 CFA charter-holders worldwide, while membership for candidates pursuing the designation was 127,000 in 2006. In Canada, there are 11,000 members and another 11,000 candidates. Fifty per cent of accredited members earned the CFA designation in the past five years.



ELLEN CHIU / BLOOMBERG NEWS FILE PHOTO

Hong Kong businessmen pass the Hang Seng stock index. The CFA has seen the biggest membership growth in China and India.

Mr. Diermeier says the biggest increase in the institute's membership base has come from rapidly developing countries. "The really strong growth is coming from India and in mainland China."

India's graduate membership doubled in 2006 to 3,500 from a year earlier and China experienced a 40% increase to 3,000, Mr. Diermeier says. That trend is expected to continue as both countries' economies roar ahead.

Although the CFA designation has been around since 1963, interest in it only peaked in the past five years. The average age

of charter accreditation is 31, so the average age of a CFA holder is still relatively young.

The designation is most commonly found on the buy side of the investment business — mainly large, institutional clients. That's changing as private wealth management becomes a larger part of the industry and, therefore, a bigger portion of CFA membership.

"Thirty per cent of our members service private investors and the private wealth marketplace," Mr. Diermeier says. "As institutions step back a bit from their role in providing for retirement

and individuals have to step up, that's an area that is going to be doing nothing but growing."

Half of the institute's members work as in-house financial analysts, portfolio managers at mutual fund and investment companies or insurance organizations. The remainder fall into private wealth management, the sell side of the business as investment bankers, or in various consulting roles.

There is also an increase in the number of CFA members who lead different organizations as chief executive, investment or financial officers, Mr. Diermeier says.

However, E.A. Clarke, a partner at Ottawa-based executive recruiters Stonewood Group, says the "vast majority" of top financial executive roles in industries such as technology are still commonly held by Chartered Accountants (CAs).

The technology-heavy economic base requires intimate knowledge of regulatory and financial reporting requirements.

"When we're doing executive searches for CFOs, the requirement to find someone who has managed revenues from different global markets is essential," Mr. Clarke says. "The appreciation of the tax implications ... is pretty critical."

A continued move toward new, global financial reporting standards poses similar convergence issues in the accounting field.

Whether you're a CFA, an MBA, a CA, CGA or CMA, it appears the more globally recognized credentials you have, the better.

Financial Post,
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