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Backgrounder
Canada's Business Families: Building a Brighter Future

They shaped the economic fabric of the country. Their businesses generate huge revenues, pay considerable tax, and provide significant employment. But these achievements earn them little credit and we know little about them.

Canada's business families – names like Bombardier, Bronfman, Desmarais, Irving, McCain, and Rogers – are the "titans" that nurtured a nation. However, few authors, journalists, or historians have documented their positive influence. Instead, most write about the smugness and selfishness of the ultra-rich, the corporate welfare bequeathed on mega-corporations, and the growing income disparity of the "one percent" made famous in the Occupy Wall Street movement and subsequent protests.

In 2014, Creaghan McConnell Group (CMG) set out to tell the other side of the story. A Toronto-based advisory to business families, CMG decided to investigate in detail the contribution Canada's business families make to the Canadian economy and society at large. *Canada's Business Families: Building a Brighter Future* describes the impact of the nation's top business families on the economy. The findings are revealing. Says the report: "From the Irvings in the east, to the Richardsons on the prairies, to the Pattison empire on the west coast, Canada's top business families cultivated most major sectors."

Many started with humble beginnings, erecting corporate empires in a single generation. George Weston started a bread delivery route. John Molson founded a brewery. Ted Rogers created a radio station. Roy Thomson bought a newspaper. John Sobey opened a grocery store. Today, all of these companies have become giants in their fields. More recent entrants to the ranks of top business families include Stephan Crétier (GardaWorld), Frank Hasenfratz (Linamar), Gerry Schwartz (Onex), the Lemaire brothers (Cascades), and Guy Laliberté (Cirque du Soleil), to name but a few.

The report describes the contributions of Canada's 500 wealthiest business families, or those families or individuals who started a business, watched it grow, and for the most part continue to have a controlling share (although often with non-family executives now running the day-to-day operations). The families studied were identified using publicly available databases, government statistics, books, magazines, newspaper articles and online sources. The research was conducted throughout 2014.

As laid out in the report, a few statistics on revenues, tax and employment tell the tale:

- ***In Canada, companies controlled by the top 500 business families generate 23% of the revenue of all medium and large enterprises, or $313 billion.***

Family-controlled companies generate about $280 billion or more than 30% of all revenues earned by Canada's 100 largest firms. Companies use this revenue to pay tax, spur reinvestment, diversify, train employees and add employment. Many other large Canadian firms have proven themselves risk-averse, shying away from investments in innovation and training. Since 2005, R&D spending as a percentage of GDP as dropped by more than 1% per year. Canada has fallen from 18th to 25th out of 41 countries, and spends the least of G7 countries. Family-controlled businesses are an exception.

In 2012, they allocated nearly $3 billion to R&D, or over half of the total of the top 10 spenders. R&D leads to innovative product development, new employment, and spin-off benefits for smaller firms. And without R&D investments and consequent global success of Canada's "flagship" companies, smaller firms that rely on the large enterprises would also suffer.

- ***Family-controlled businesses contribute close to 20% of federal corporate tax, or $6 billion.***

Canada's largest business families contribute a sizeable proportion of the taxes needed to support the country. When all forms of tax are tallied, research shows that 63 of the country's 150 largest companies – including many family-run businesses – actually paid over $40 billion in 2012. For every $1.00 of corporate income tax paid, they incurred another $0.94 in employment, sales and property taxes. Overall, these firms allocated 38% of their revenue to government in taxes and other payments, 29% to employees, and 33% to shareholders and reinvestment.

Corporate and income tax make up 63% of the federal government's revenue, funds used for infrastructure, education and health, old age security, public safety, employment insurance, defence, and social welfare. The largest business families make up an enormous share of personal tax. In 2010, the top 1% of income earners (those earning over $250,000) paid over 20% of all federal and provincial income tax collected. The top 10% of income earners paid over half of all tax collected. By contrast, the bottom 50% of earners contributed 4% toward the collective personal tax bill. While government is responsible for ensuring equitable redistribution through transfers and social programs, Canada's wealthiest are providing much of the revenue needed for this redistribution.

- ***Family-controlled businesses provide nearly 15% of all private sector jobs in Canada, or 1.6 million positions.***

Of Canada's 25 largest companies by employees, 10 are family businesses that together employ over one million people, about equivalent to the entire population of Saskatchewan. In 2011, the largest private employers were Onex Corp., George Weston Ltd., Loblaw Companies, and Magna International. Rounding out the top 10 were Bombardier, Thomson Reuters Corp., Empire Company, Power Corp., Rogers Communications and GardaWorld. These 10 companies are responsible for close to 10% of Canada's entire private-sector employment.

The largest family businesses pay an average annual wage of over $64,000, well above the Canadian average of $58,000. This means a couple with one member earning the average at a large firm and one earning the Canadian average would rank within the top 10% of income-earning families in Canada. They also provide better benefits. Insurance and pension benefits are roughly four times that of small firms. Workers at large firms enjoy better fringe benefits, such as vacation pay and sick leave.

And that's not all. Family businesses are leaders in corporate citizenship and philanthropic activities, donating billions to charities and foundations.

- Several large family businesses rank among the top 50 corporate citizens in Canada, when it comes to environmental performance, taxes paid, innovation, pension fund, safety performance, and employee turnover. The ranking assesses how well companies demonstrate responsible business practices. Bombardier, Cascades, Rogers Communications and Loblaw Companies are among the privately controlled companies on the 2014 list.

- Canadian corporations – including family businesses – give over $2.3 billion annually in charitable donations, according to Imagine Canada, a national organization committed to supporting the country's charities. Imagine Canada's "Caring Company Program" consists of companies committed to championing community investment projects. Its members include such large family businesses as James Richardson & Sons, Loblaw Companies, Power Corp., and Rogers Communications.

- Canada's independent private foundations, many of them founded by business families, distribute $1.5 billion annually to an array of charity programs. These charities support projects in many diverse areas, including the arts, education, the health sector, public policy research, environmental sustainability, international development and social services.

Canada's business families also make significant contributions to cultural and medical institutions. They donate millions to hospitals, opera companies, ballet troupes, theatres, and other cultural and scientific institutions. They support literature through such programs as the Rogers Writers' Trust Fiction Prize and the Hilary Weston Writer's Trust Prize. They support sports, buying and maintaining professional franchises including many highly-valued Canadian NHL hockey teams. And they support education, lending their names and sizeable grants to post-secondary business programs. The list goes on.

In 2014, over a dozen founders and senior executives of family-controlled businesses ranked among the top 50 corporate leaders with the greatest influence in politics and policy. They affect our lives daily. Without these hard-working risk-takers — Canada's "builders" — the Canadian economy would descend into the branch plant, subsidiary-style corporate culture many have often feared.

Canadian business families create the revenue, taxes, and employment that puts Canadians to work, at home, in local communities, where people want to live. They support the charities and institutions in the arts, education and sports that the population values. They take risks, diversify, innovate, compete and persevere. They influence all facets of Canadian life, and as the report concludes, "their determination forecasts the future of the nation."

To obtain a copy of the report:
Please visit www.cmgpartners.ca

For more information:
Craig Postons
519-851-5555
craig@pathwaycommunications.ca