CHAPTER 12

Fortune's Favourites

In the annals of Canadian history, pride of place in the world of business—for better or worse—is usually accorded to the large, bureaucratic institutions: the Hudson's Bay Company, the Canadian Pacific Railway, the Big Five chartered banks, some multinationals (Imperial Oil), and some Crown corporations (CBC, Air Canada). This perspective is also found in popular notions about Canadian entrepreneurship, as in the comment from a business school professor in 1988 that 'We don't make folk heroes out of our entrepreneurs. In Canada, everyone wants to be a civil servant'—or at least the employee of a large, well-established corporation.[1]

Just as the view that Canadian business has been parochial and inward-looking may need qualification, the notion that Canadian business is populated largely by corporate behemoths has also been receiving a second look. In 2006, for example, the Business Family Centre of the Sauder School of Business at the University of British Columbia reported that there were more than one million 'family businesses' in Canada, accounting for over 80 per cent of all business activity in the country, and these businesses produced 45 per cent of Canada's gross domestic product (GDP) and half of the country's private-sector employment. A comparative study conducted by the Family Firm Institute in Boston, Massachusetts, offered similar figures in 2005, and indicated that the proportion of proprietary family firms in the private sector in Canada was among the highest among industrialized countries, comparable to the 'entrepreneurial' United States and greater than the UK, Italy, Germany, and Australia, among others.[2]

Individual proprietorships and family firms constitute a majority of small and medium-sized enterprises in many countries. Of perhaps greater import is the position of family firms in the 'big business' sector. In 2006, four of the 10 largest companies ranked by revenues by the *Globe and Mail* were family-owned or family-controlled: Power Corporation (Desmarais family); Magna International (Frank Stronach); Loblaws (Weston family); and Thomson Corporation (Thomson family). Three of these four, along with the McCain family, were also identified as among the 100 largest family-owned businesses in the world by *Family Business* magazine in 2005. Others listed in the top 100 companies in Canada included Bombardier, Empire Corporation (Sobey family), Rogers Communications, CanWest Global Communications (Asper family), and Cogeco (Audet family). There are also Canadian family enterprises whose ownership is so closely held that estimates of their assets and the full extent of their organizations are not easily accessible, such as the Irving family of New

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Brunswick and the Burnett family of Toronto. Again, Canada is not unique in the world in this regard, but the role of families in controlling large enterprises is a significant feature of the country's business landscape.[3] Table 12.1 indicates the top 10 family firms in Canada in 2006, listing their revenues and numbers of employees.

The term 'family firms' encompasses a variety of different forms, ranging from tightly controlled enterprises wholly owned by an individual or family to public companies where family members may exercise control over a minority of outstanding shares, sometimes through intricate arrangements allowing some categories multiple voting rights, as in the case of Frank Stronach, who could dominate Magna International with less than 5 per cent of the equity in the company he started in the 1970s. A variation on this theme is the 'closed end trust' in which a small group of investors, not necessarily related, could acquire strategic control over a range of large public companies by becoming the largest bloc of shareholders, even if they held only 20 per cent of the shares. This is a practice that goes back to the days of Max Aitken and George Cox, but it continued to be a feature of the Canadian business scene throughout the twentieth century, sprouting conglomerations of a bewildering array of unrelated companies and industries.

The 1980s and 1990s experienced a resurgence of the idea of entrepreneurship in North America, stimulated in part by the success of start-up companies in emerging fields such as biotechnology and computer software and the seeming inability of large, established companies such as IBM and GM to cope effectively with new competitive forces. Advocates of the new entrepreneurialism such as George Gilder maintained that the advent of globalization and the 'knowledge economy' rendered traditional forms of business organization, based on industrialization, obsolete. Business schools in the US and Canada began to teach courses on 'entrepreneurship', and even corporate managers like Lee Iacocca of Chrysler and Jack Welch of GE were portrayed as 'intrapreneurs', transforming their entrenched bureaucratic divisions into competitive 'profit centres'.

In this context, the large, multi-unit, professionally managed business could be seen as a corporate 'dinosaur', and the era featured much downsizing and streamlining of big enterprises. The family firm or 'closely held business', by contrast, could be seen as more 'entrepreneurial', more capable of reacting quickly to changing market conditions, more versatile.

Family firms, proprietary enterprises, 'closely held businesses' could exhibit many of these features. Where managers of large public companies were obliged to focus on short-term earnings targets, family firms could take a longer perspective. Strategic decisions and major changes in direction could be taken more readily. Loyalty based on kinship could reinforce business discipline. On the other hand, entrepreneurs could grow old, out of touch with changing markets, rigidly devoted to past dogmas. Family enterprises could disintegrate in squabbling over their inheritance following the departure of the founder, or an incompetent scion could be put in charge. In companies where the family was a minority—albeit significant—owner, decisions could be made that were neither in the interest nor subject to the scrutiny of other shareholders. All of these elements—the virtues and the drawbacks—were present in the pageant of entrepreneurial and family fortunes in Canada.[4]

All in the Family

There is no particular historical pattern to the distribution of family firms across the spectrum of businesses in Canada. They are found in the resource sector (e.g., MacMillan, Price Brothers), producer goods manufacturing (e.g., Massey), consumer goods manufacturing (e.g., Bombardier, Bata), construction/development (e.g., Reichmann), retailing (e.g., Simpson, Eaton), and communications (e.g., Rogers, Asper). None of the larger banks are family-controlled, but there are proprietary companies in the financial services

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TABLE 12.1
CANADA'S LARGEST FAMILY FIRMS, 2006

Family	Company	Revenues 2006 ($ billions)	Employees 2006
Weston	G. Weston/Loblaws	32	134,000
Desmarais	Power Corporation	26	25,000
Sobey	Empire Corporation	25	35,000
Stronach	Magna International	23	82,000
Schwartz	Onex	18	138,000
Bombardier	Bombardier	15	56,000
Thomson	Thomson Corporation	9	40,000
Rogers	Rogers Communications	8	21,000
McCain	Maple Leaf Foods	7	18,000
Pattison	Pattison Group	7	n/a

Note: 'Family firm' includes companies where individual or family shareholders have a significant minority position as well as those where a single family owns a majority of shares.

Sources: *Family Business Magazine* at <www.familybusinessmagazine.com>; 'The Top 1000', *Globe and Mail Report on Business* (July–Aug. 2006).

sector (e.g., Fairfax Insurance, ONE Financial).The larger clusters are found in the areas of consumer goods and retailing. One common feature of the largest of these enterprises is that relatively few have lasted more than three generations, at least not in their original form. But even here there are some exceptions.

Certainly the most long-lived of these companies in Canada was Molson Brewers, tracing its heritage back to 1786, which merged with the US company, Coors, in 2005 after a bitter controversy within the Molson family. The Molson Coors Brewing Company was the fifth largest beer maker in the world after the merger, and Molson's held almost half the market in Canada and a 20 per cent share in the ownership of the Montreal Canadiens.

Brewing was only one of many enterprises established by the founding father, John Molson, and his successors in the nineteenth century, and much like the Hudson's Bay Company, Molson's was a name associated with the growth of the Canadian economy in that era. In addition to the Montreal brewery, John Molson built the first steamship in Canada in 1809, later developing it into a shipping line. His son, William, participated in the building of Canada's first railway in the 1830s, and with his brother, Thomas, established the Molsons Bank, which operated from 1853 until 1925, when it was absorbed by the Bank of Montreal. The Molson family also had investments in distilleries, mills, hotels, wharves, mines, and foundries in Quebec. John Molson Sr and his sons, John Jr and William, were active in politics, serving in the province's legislative assembly. As in many other family businesses, relationships did not always run smoothly: Thomas Molson feuded with his brothers over his plans to set up a distillery, and he moved to

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Kingston for a time, but then joined William, who was at odds with John Jr about setting up a bank. But the scale and diversity of the family's business activities was so large that even this internal bickering could be accommodated.[5]

The brewery business, however, provided a steady income as the province's population grew. Until the advent of refrigeration in the 1880s, breweries primarily served local or regional markets, and most were family enterprises like Molson's. In Halifax, Alexander Keith established an ale-making enterprise in the 1820s that prospered when the cost of rum production rose after the abolition of slavery in the Caribbean, and his success attracted others into the field, including John Oland in 1867. In Ontario, a number of brewers emerged in the period before Confederation, including John Labatt, Thomas Carling, and John Sleeman in the 1840s, and Eugene O'Keefe in 1862, who subsequently went into competition with Molson in Quebec in partnership with John Atkin. These names, familiar to Canadian beer drinkers today, were only the most durable of more than 100 brewing enterprises that arose (and many of which fell) in the nineteenth century.

The advent of refrigeration, mechanized packaging, and more intense competition in advertising demanded increased capitalization in the industry, and as in other fields, there was a period of growth and consolidation in brewing in the early 1900s. There were regional amalgamations in British Columbia and the Prairies, and two central Canadian ventures sought to absorb the national market, the Canadian Brewing Corporation based in Ontario and National Breweries Ltd emanating from Quebec. Both of these undertakings were to eventually be folded into E.P. Taylor's beer empire. The larger family companies, including Molson, resisted pressures to join these confederations and undertook to survive through new investment and expansion of the market, introducing 'light' beers in the 1930s.

In addition to competitive pressures, all of the breweries had to cope with various experiments in Prohibition in the early 1900s, although Molson benefited from the fact that Quebec remained 'wet' throughout this era. By the late 1920s most provinces were abandoning full-scale prohibition, but in its place government-controlled package stores in many cases took over distribution, and there were provincial bans on the sale of beer manufactured outside their borders. In these circumstances, brewers seeking to develop a national market had to build plants in every province they chose to enter. For amalgamators like Taylor, this involved the acquisition of breweries across the country, including Carling and O'Keefe. Molson also made some acquisitions, but its main strategy in the 1950s and 1960s was to build new breweries outside Quebec, focusing particularly on Ontario and Atlantic Canada. The company also entered the US market, and by the end of the 1980s had become the second largest distributor of foreign beer there (after Heineken), although this distinguished position only provided it with 1 per cent of that market.

The Molsons also followed the fashion of the day, that is, 'diversification' or, more accurately, conglomeration, acquiring companies like Anthes Imperial, an office furniture firm, Aikenheads hardware chain, and Beaver Lumber in the 1970s, followed by expansion into the chemical industry through investment in Diversey, a US manufacturer of cleaning solvents, and the acquisition of an American subsidiary of the German company, BASF. Although in some respects this was similar to the diverse activities of the family in the previous century, the circumstances were very different. By the end of the 1980s the company, whose board was now chaired by Eric Molson, a seventh-generation family member, recognized that many of these efforts at diversification were underperforming and that the moves by larger producers abroad were driving the industry towards global competition and consolidation: Carling-O'Keefe, for example, had by this time passed into the hands of an Australian company, Elders IXL Ltd. One of the few positive results of this strategy appeared to be the acquisition of the Canadiens, which was useful in marketing beer; although,

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curiously, in 1988 the company stopped sponsoring *Hockey Night in Canada*. Its rival, Labatt's Breweries, acquired the Toronto Blue Jays in 1976 for much the same reason.

The first response to this challenge could be seen as 'more of the same'. Molson hired Mickey Cohen, a former Ottawa bureaucratic whiz kid, who orchestrated a merger with an Australian conglomerate. This move did have the virtue of giving Molson a share in control of the Australian brewery Foster, as well as its former rival, Carling-O'Keefe. But earnings continued to stagnate. Cohen departed, and through the 1990s the company sloughed off the fruits of its conglomeration era, often at a loss. Increasing emphasis was placed on developing the national market for beer, following the removal of interprovincial barriers to trade in this field in 1995, as well as consolidating a stronger position in the US market, which involved, among other things, allowing the American company, Miller, to acquire a 20 per cent interest in Molson.

But Molson faced strong competition from Labatt. That company had long before ceased to be a 'family firm' in any sense; both Molson and Labatt had become public companies in 1945, but the Molsons retained a significant bloc of voting shares and a role in management. In the 1960s Labatt had briefly fallen into the clutches of one of the largest American brewers, Joseph Schlitz of Milwaukee, but was liberated by a US antitrust suit and ended up under the control of the Canadian conglomerate Brascan. Like Molson, the company then set out to expand across Canada by building new plants and through acquisitions, including the venerable Maritime family firm, Olands—an Oland was to rise to the presidency of Labatt in the 1980s while another Oland scion set about building up a new Atlantic Canadian challenger, Moosehead Breweries. By that time, however, there were only eight breweries in the country not under control of Molson, Labatt, or Carling-O'Keefe, and the liberation of the trade from provincial restrictions set in motion another move towards consolidation after 1995. After a complicated merger struggle with Gerry Schwartz, Labatt ended up in the hands of the Belgian giant Interbrew, which was looking for ways to enter the North American market.

These activities set the scene for a contest between Labatt and Molson for the mass market in beer in Canada, although both also faced new challenges from newly emerging 'mini-breweries' like Sleeman in Ontario and Granville Island in British Columbia, which were also seeking to take advantage of the free market and changing consumer tastes. Even as the two Canadian majors launched advertising campaigns against each other, the external scene continued to shift. In the 1980s Labatt had made a marketing deal with the US company, Anheuser-Busch, to market its leading brand, Budweiser, in Canada; and Molson had made a similar arrangement with Coors, the Denver-based beer company that was itself still a largely family-controlled firm. Molson's arrangement with Miller led Coors to cancel that deal, but after a new arrangement was negotiated, Coors began probing further for a merger. Eric Molson supported the idea, but at this point the family connection resurfaced. Eric's younger cousin, Ian Molson, who had earlier been designated the heir apparent to chairman of the board, raised objections and began accumulating voting shares while also soliciting support from Schwartz to bid against Coors. Eric Molson proceeded to mobilize the shares of other family members and the normally private affairs of the family became a matter of intense media attention. In 2006 the merger finally went through, presented as essentially an alliance of equals, and indeed the new company was named Molson Coors Brewing Co. But for observers in Canada, the merger represented the end of a family firm that had been founded more than 200 years earlier, and, ironically, a company whose recent advertising campaign had featured the slogan, 'I am . . . Canadian!'[6]

Although not as long-lived as the Molson dynasty, the Weston family achieved a kind of quasi-regal status in the middle of the twentieth

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century, replete with landed estates in Britain and Ireland, and hobnobbing with the British royal family—an ironic status for a family whose founding father, George Weston, was the son of a Cockney-born immigrant to North America who set up a bakery in Toronto in 1882, relying on mechanization and integration into flour milling to become one of the largest distributors of baked goods in the city by the early 1900s. The real empire builder, however, was his son Garfield Weston who, after serving in the Canadian Army in World War I, moved the company into production of tinned biscuits and embarked on expansion across Canada and into the United States. While the Depression temporarily checked his ambitions, Garfield redirected his efforts to acquiring and retrofitting bakeries in Britain for mass production. In the years following World War II, he pursued a strategy of vertical integration in the food business, acquiring mills, packaging factories, and grocery stores in the US, Australia, and South Africa as well as Britain. Among his acquisitions was the venerable Fortnum & Mason, grocers to the royal family, in 1951; four years later Weston took over an Ontario supermarket chain, Loblaw Companies Ltd, that had been established in 1919 specializing in small neighborhood 'groceterias'.

Garfield Weston was a great empire builder, but he was less interested in organizational matters, which were left in the hands of relatively autonomous regional managers. In Canada, the Weston and Loblaw operations were run by a long-time British associate, George Metcalf, who continued Garfield's expansionist policies through the 1960s, including what proved to be the unwise acquisition of a US chain, National Tea, whose stores were largely located in deteriorating downtown neighbourhoods, and some anomalous entities such as the E.B. Eddy paper mill and the salmon processor, British Columbia Packers. Despite its formidable size, which periodically invited investigations by antitrust authorities in the US and Canada's Royal Commission on Corporate Concentration in the 1970s, the Weston/Loblaw business was increasingly vulnerable with its debt burden from expansion as profit margins, always tight in the food distribution business, diminished.

In 1978 Garfield died, and his empire was divided among the heirs. The North American component passed on to his youngest son, Galen Weston, who had been educated in Canada and demonstrated his business acumen by establishing a chain of supermarkets and department stores in Ireland, virtually from the ground up. Even before Garfield's death, Galen had become involved in the Canadian operation, becoming chief executive of Loblaw. He reorganized the sprawling Weston enterprises into three functional areas: food products; Loblaw (the supermarket division); and a 'resource' division for the assorted other operations, most of which were jettisoned by the 1990s. He recruited two talented managers, both veterans of the US consulting firm McKiney & Co., to help resuscitate the floundering Loblaw company, the largest part of the Weston business. David Nichol focused on marketing, including the introduction of what became the popular specialty brand of goods, 'President's Choice'; Richard Currie developed an overall strategy for debt reduction and store consolidation, including disposal of the US venture. By the 1990s, Loblaw's profit position was strengthened, and the company had not only recovered its position as the largest food retailer in Ontario, but controlled more than one-third of the Canadian market, expanding into Atlantic Canada and the West.

Loblaw's success was due in large measure to the strength of its management, but the Westons also benefited from the misfortunes suffered by key competitors in the retail food industry, many of which were also family firms. In Quebec, which always proved a tough market for Loblaw, one of the largest of these was Steinberg's, a supermarket chain that traced its origins back to a grocery store established in 1913 by Ida Steinberg, an immigrant from Hungary. Her five sons, dominated by Sam Steinberg, expanded across Quebec and into New Brunswick and the Ottawa area, also setting up a discount department store chain, Miracle Mart, and a real estate venture,

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Ivanhoe Investments. After Sam's death in 1978, however, the company's fortunes slipped amid squabbling between his daughter Mitzi, who ran the Miracle Mart operation, and her two sisters. In the early 1990s Weston tried to buy the Steinberg chain, but encountered resistance—as a 'foreign' company—from the Quebec government, which undertook instead to arrange for the acquisition of the foundering enterprise by the Caisse de dépôt et de placement, which in turn sold it to two other Quebec-based chains, Provigo and Metro-Richelieu. By the end of the decade, however, Loblaw was in a position to absorb the enlarged Provigo company.

Another dynastic challenger to Loblaw was the Oshawa Group, founded by two brothers, Max and Maurice Wolfe. Beginning as produce wholesalers in Toronto in the early 1900s, in the years after World War II the Wolfes found that the emerging supermarket chains were bypassing them to purchase directly from suppliers. One of Maurice's sons, Ray Wolfe, came up with the idea of moving into the supermarket field, based on the franchise model developed by a Chicago group, the Independent Grocers Alliance (IGA). In 1951, Ray formed the Oshawa Group, which acquired the Canadian rights to IGA and rode the post-war boom across Ontario and into Atlantic Canada and the West; the franchise system enabled growth through new equity issues, while the Wolfes retained control of the voting shares. Ray's death in 1990, however, triggered intra-family feuding: his son, Jonathan, chosen to take over management of the Group, encountered resistance from other family members. A reorganization effort, superintended by a Boston consulting firm, Conflict Management Group, temporarily settled conflicts with a professional manager, Alistair Graham, running the operation. By 1998, however, when Graham retired, tensions resurfaced, and the Oshawa Group became the focus of a bidding war between Loblaw and a Maritime rival, Empire Company Ltd.

The victorious bidder, Empire, was in turn a family enterprise controlled by the Sobey family of Stellarton, Nova Scotia, which within a few years emerged as the main rival to Loblaw in central Canada. Around the time that the Wolfe brothers began selling produce in Toronto, John W. Sobey was peddling meat and building a butcher's store in Stellarton. His son Frank extended the business into a small chain of supermarkets in central Nova Scotia in the 1940s and 1950s, eventually moving into development of shopping malls and acquiring a pharmaceutical chain, Lawton's Drugs. The third generation of three Sobey brothers pushed further afield, looking particularly at the Quebec market. In the 1980s the Sobeys acquired a significant foothold in Provigo, as well as in a New England supermarket chain. The takeover of Oshawa Group, however, proved to be the largest step beyond the Atlantic regional market. By 2006, Empire held 16 per cent of the retail food market in Canada, second only to Loblaw.[7]

Even as they jousted for position in the Canadian market, the major supermarket chains were also girding themselves for the invasion of the US giant (and family firm) Wal-Mart, with its 'supercentres' that included burgeoning retail food areas. As of 2006, Wal-Mart had a relatively small foothold in this sector in Canada, but its sheer size and demonstrated success in the general retail market posed a significant challenge. Even the most-entrenched of family enterprises in Canadian retailing would have to tread carefully in these circumstances, remembering the recent fate of that most quintessential Canadian dynasty, the Eatons, whose collapse reflected both the impact of new competition and fundamental weaknesses in the structure of family firms.

For more than three generations the Eaton family controlled the company founded by Timothy Eaton, and its chain of department stores, mail-order catalogues, and annual Santa Claus parade became part of the fabric of the nation's cultural life. The year 1978 marked an apogee of sorts, with the opening of the massive Eaton Centre in Toronto, encompassing eight square blocks of prime downtown real estate. But even at this point there were symptoms of incipient decline. A year before, the company had discontinued its

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catalogue, which in some respects could be seen as an adjustment to the realities of an increasingly urban retail market. Four years later the company dropped its sponsorship of the Christmas parade, citing high costs. By this time Eaton's was encountering competitive problems, not only from its traditional rival, the Hudson's Bay Company, but from discount chains and more specialized retailers. During the 1970s Eaton's had focused on the development of malls in downtown core areas in Ontario, benefiting from support from the Ontario Downtown Renewal program; but this move left it with an unprofitable real estate inventory and malls with high vacancy rates, while the population was shifting to the suburbs. By the 1990s Eaton's had slumped to little more than a 10 per cent share of the retail market in Canada, where it had held more than half of that market in the years following World War II. In this context the arrival of Wal-Mart and other 'big box' stores spelled disaster.

Critical observers attributed many of these mistakes to the incompetence or at least the inattention of the family's fourth generation, who were more interested in horse breeding, auto racing, or charitable giving than in minding the store, while failing to bring in professional managers at the top to make up for their shortcomings. In 1997, George Ross Eaton, who had presided over the company since 1988, recruited George Kosich, who had overhauled The Bay, hoping he would duplicate that feat for Eaton's; but this move led to threats of litigation from the rival retailer. A year later the family announced that Eaton's was bankrupt, and after a year of efforts to reorganize the store into an upscale-oriented operation (the store had abandoned efforts to compete with discounters in the early 1990s) it went public and was taken over by Sears Canada in 1999. Within a few years not only had the family been separated from ownership of its chain, but the Eaton name itself had virtually disappeared from public view. Much like Massey-Ferguson a decade earlier, one of Canada's most famous commercial dynasties disappeared rapidly from the scene.[8]

Conglomerators

Company growth through mergers and acquisitions has been a continuing feature on the business scene throughout the twentieth century, so much so that the legal and accounting professions spawned an entire subcategory of specialization. But the rationale for mergers has shifted over the years: in the early 1900s in Canada, as in the US and in the European industrialized economies, mergers proved to be a central vehicle for consolidation of national markets, supplemented by what the American business historian Alfred Chandler Jr designated strategies 'of scale and scope', the latter involving the integration under one umbrella of companies engaged in related activities, depending, for example, on similar raw material inputs or common industrial processes. In the post-World War II era, however, a new phenomenon began to emerge: companies that exercised control over a wide range of essentially unrelated lines of business. In the United States, in particular, a vogue for 'conglomerates' thrived. Entrepreneurs such as Royal Little, James Ling, and Charles Bluhdorn cobbled together empires that combined electrical equipment and aerospace manufacturers, auto parts makers and film companies; venerable firms such as International Telephone & Telegraph under Harold Geneen vigorously pursued conglomeration on a scale that invited scrutiny by the US Congress in the early 1970s. By that time, however, conglomerates were losing their appeal; claims that these configurations would produce unusual 'synergies' were met with increasing skepticism as the stock market boom of the 1960s subsided.[9]

In Canada, on the other hand, the creation of 'conglomerates', even though the term was not yet invented, began long before they became a fad in the US, and outlasted them, culminating with an orgy of expansion in the 1980s. In some respects there was nothing entirely new going on: turn of the century financiers like George Cox and Max Aitken had fashioned diversified manufacturing and utility empires. But the conglomerators of

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the 1970s and 1980s came from a wider business community, including newspaper publishers, building contractors, and real estate speculators, joined eventually by old-line companies like Canadian Pacific and Bell Telephone. The environment of the time helped encourage visions of glory. As in the US, the growth of pension funds and mutual funds enlarged the domestic capital pool and spawned a subculture of fund managers prepared to move large blocks of money to maximize short-term earnings, and bankers now facing potential competition from overseas lenders were more attentive to the needs of large clients. At the same time, the relatively small size of the Canadian economy may have pushed ambitious empire builders towards conglomeration, along with investment abroad, as ways of enlarging their corporate ventures.

One of the earliest proto-conglomerators of the post-war era was E.P. Taylor. Even before service with C.D. Howe's Ministry of Munitions in World War II helped assure him of entry into the country's leading boardrooms and clubs, Taylor had erected a mini-empire in the Canadian brewing industry. He formed an alliance with a British group that provided him with the capital to assemble the Brewing Corporation of Canada by buying up small brewers at Depression-era prices. By the end of the 1930s, Taylor's company held one-third of the Ontario beer market and had branched into soft drinks (Orange Crush) and acquired hotels and restaurants.

Taylor's wartime activities brought him in contact with Floyd Odlum, an American financier who specialized in acquiring and cultivating stocks in undervalued companies. From Odlum, Taylor derived the idea of forming a 'closed' investment trust, essentially a partnership with a very small circle of shareholders that would buy blocks of voting shares in a few companies, sufficient to influence management decisions. The main criterion for selection was the growth potential of the target company irrespective of its particular line of business. In this sense Argus Corporation, the investment firm set up by Taylor with several Toronto associates in 1945, represented a pioneering form of conglomeration. Over the next decade, Argus acquired shares and board representation on a range of medium to large Canadian companies, including Dominion Stores, Domtar, BC Forest Products (in association with another wartime crony, H.R. MacMillan, who also sat on the Argus board), Hollinger Mines, Norcen Energy, and Massey-Harris.[10]

In 1969, Taylor, who had become much more interested in horse breeding, stepped down as chief executive of Argus, leaving it in the hands of his erstwhile partner, Bud McDougald, who ran the company until his death in 1978. At this point, a new and colourful character entered the scene. Not since the days of R.B. Bennett in the Great Depression has anyone so personified the idea of 'capitalist' in the public mind as Conrad Black, who deliberately cultivated and celebrated this image, indulging in a lavish lifestyle, inveighing against the 'socialist' excesses of Canada, quarrelling with prime ministers, and melodramatically confronting the minions of the US Justice Department.

The son of George M. Black, one of Taylor's junior partners in the Argus venture, the youthful Conrad and his brother, Montagu Black, carried out an elaborate coup after McDougald's death, acquiring control of Argus with only a minority investment position but holding the proxies of the widows of two of the company's founding partners, including McDougald. Before long Conrad emerged as the dominant figure. Over the next few years he proceeded to dismantle Argus, selling off most of its member companies. This may not have been his initial intention, but the recession of the early 1980s revealed the competitive weaknesses of companies like Massey-Ferguson and Dominion Stores. In any case, Conrad Black seems to have had his sights set for a different goal. Even before his involvement with Argus, he and an associate, David Radler, had begun acquiring small newspapers and restructuring them, which usually entailed laying off staff and relying on wire services for news, in order to maximize revenues from advertising. By

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the end of the 1980s, more than 400 newspapers across the US and Canada had been folded into his empire, and to these were added the *Chicago Sun Times*, the *Jerusalem Post*, and a share in an Australian news chain in the 1990s.

In 1985, Black took a major step towards achieving his aspiration of becoming a British press baron in the mould of Lord Beaverbrook when he acquired the venerable Fleet Street newspaper, the *Telegraph*. A decade later he established a new Canadian 'national newspaper', the *National Post*, to challenge the *Globe and Mail*, whose editorials he regarded as too sympathetic to the Liberal Party. His increasing preoccupation with politics (the *Post* never was very successful financially and he sold most of his other newspapers in the late 1990s) culminated in a confrontation with Prime Minister Jean Chrétien when Black was offered a peerage. Chrétien invoked a 1919 measure that barred a Canadian citizen from accepting a noble title; Conrad then very vocally gave up his citizenship and was ennobled as Lord Black of Crossharbour in 2001 (a few years later, as his legal difficulties in the US loomed, Black set out to regain his Canadian citizenship).

Throughout this period Black had exercised control over his empire through Hollinger International, which had long since ceased to be a mining enterprise and was simply the holding company for his newspapers. After the crash of 2000–1 and the post-Enron scandals in the US, Black faced increasing pressure from shareholders in Hollinger and increased scrutiny from the US Justice Department over allegations that he and Radler and a few other insiders had siphoned money from Hollinger to their personal benefit. By 2005 the beleaguered Black had been forced to sell the *Telegraph* and *National Post* (the latter to CanWest Communications), as well as his opulent mansions in England and New York. The final blow fell in July 2007 when a jury in Chicago found him guilty of fraud and obstruction of justice. Black appealed the conviction, stalwartly protesting his innocence, but in the meantime he went to prison in Florida in March 2008 to begin serving a six-year term. His fortune had dwindled considerably and his publishing empire was gone with the wind.[11]

One of Black's presumed role models was Roy Thomson, Lord Thomson of Fleet, whose son Kenneth, one of Conrad's contemporaries, proved to be more successful in managing his own empire. Roy Thomson had pioneered in the development of radio broadcasting in Ontario in the 1930s, then moved into newspapers. After World War II he migrated to England, establishing himself as a media baron with more than 200 newspapers, including the prestigious *Times* of London. In 1964 he was ennobled, giving up his Canadian citizenship in the process, as Lord Black was later obliged to do. But the most significant accretion to his wealth was a fortuitous investment with a US firm, Occidental Petroleum, in British North Sea oil fields shortly before the first energy crisis of 1973.

Three years later Sir Roy died, succeeded by Ken Thomson, who deployed the family fortune not only into expansion of the newspaper empire, including the Toronto *Globe and Mail*, but also into more diversified areas. In 1979 Thomson acquired controlling interest in the Hudson's Bay Company, which had previously gobbled up a variety of competing retailers, including Simpsons, making 'The Bay', as it was renamed, the largest department store chain in Canada. In contrast to the extravagant and extroverted Conrad Black, Ken Thomson was a self-effacing figure in the business community, who frugally shopped for bargains at Zellers, one of the discount stores he owned, although he also devoted himself to acquiring a remarkable collection of Canadian art and generously supported the Art Gallery of Ontario.[12]

Ken Thomson was not the only one to be caught up in the conglomeration fever of the era. The Reichmann brothers, who emigrated to Canada from Hungary via Morocco in the 1940s, established a foothold in the high-rise construction business in Toronto with their family firm, Olympia & York (initially a tile-making enterprise), then went into the skyscraper heartlands

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of New York, Chicago, and San Francisco in the 1960s and 1970s. At this point they decided to diversify beyond the boom-and-bust high-rise real estate market, although their first choice seems odd in retrospect: the pulp and paper giant Abitibi-Price was acquired in 1981, followed by attempts to expand further into the natural resources field with minority investments in Noranda and MacMillan-Bloedel. In 1986 they made their most dramatic moves, taking over Gulf Canada, jettisoning its refineries and gas station chain while retaining its stake in the Alberta oil fields. Later that year Hiram Walker was brought into the Olympia & York stable, with the distillery component discarded after a bitter struggle with the owners: the Reichmanns ended up with the oil and gas properties that Walker had acquired in its own bid towards conglomeration.

The Bronfman family, of Seagram distillery fame (see box, p. 226), produced two sets of rival acquisitors. Charles and Edgar, who had inherited control of Seagram, at the high point of the second energy crisis of 1979–80, sold off significant oil holdings that their father, Sam, had accumulated over the years. Flush with cash, they explored the US merger market, eventually settling on a bid for Conoco (Continental Oil), one of America's 10 major companies in the field and the former partner with Hudson's Bay Co. in Canadian oil and gas development. The struggle for Conoco pitted Seagram against much larger US companies, including Du Pont and Shell. In the end, Du Pont emerged triumphant, but the Bronfmans acquired a significant equity position in the American chemical giant.

Meanwhile, their cousins, Edward and Peter, who had been squeezed out of Seagram by 'Mister Sam', set up their own investment trust, Edper, and began shopping for companies, beginning in 1976 with Trizec Equities, a large Toronto property management company originally founded by the US high-rise developer Bill Zeckendorff. Their biggest acquisition, in 1979, was Brascan, successor firm to the Pearson/Mackenzie utility multinational Brazilian Traction. During the 1970s that company had sold off (under some pressure) its electric system to Brazil for $450 million and transformed itself into a diversified holding company. While engaged in a protracted struggle for control of Brascan, Edper also went after the even larger mining-cum-conglomerate, Noranda. Ultimately, both Brascan and Noranda, along with an array of manufacturers and insurance and trust companies, ended up in the hands of the Bronfmans.[13]

While the proprietary empire builders preempted media attention, among the largest of the era's conglomerates were two of Canada's oldest enduring corporate entities: the Canadian Pacific Railway and Bell Canada. After the expansion binge of the 1920s, CPR had retreated for a time from its earlier tradition of diversification. Apart from the creation of CP Air in World War II, the company stuck to railroading and managing its other established investments. During the buoyant 1960s, however, the company resumed its outward thrust, largely through the prodding of Ian Sinclair, who had joined CPR in 1947 as a lawyer representing the railroad in its perpetual freight-rate hearings before the Railway Commission, but soon displayed a talent for financial wheeling and dealing. In 1962, Canadian Pacific Investments (CPI) was set up to provide a vehicle for Sinclair's energies: non-transportation investments, including Cominco and CP Oil & Gas (established in 1957 to manage CP's mineral resource lands not already leased out), were assigned to CPI. In 1967, CPI began issuing its own public shares and embarked on a career of expansion through a subsidiary, Marathon Realty; telecommunications development (CNCP); and international investment in hotels, mines, and industrial acquisitions that included Algoma Steel, Maple Leaf Mills, and Canadian International Paper. When Sinclair took over as chief executive of the parent company in 1972, he arranged to remove the word 'Railway' from its corporate title. By the time he stepped down in 1981, more than half the company's earnings came from investments outside the transportation field.

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THE FALL OF THE HOUSE OF SEAGRAM

Of all the family business dynasties in Canada, none have had the prominence and notoriety of the Bronfmans, who rose from shady origins in the Prohibition era to run one of the country's most successful multinationals, and whose domestic feuds were frequently chronicled by the media and celebrated in at least three novels, most notably Mordecai Richler's *Solomon Gundy Was Here*. Fittingly, the events that led to the final disaster and disappearance of the Seagram company, if not their fortune, was accompanied by melodrama and recrimination, making the Bronfmans a symbol of the hazards of family-controlled enterprise.

In the decades following World War II the Bronfmans ruled an empire of distilleries, vineyards, plantations, and sales agencies that virtually spanned the world, the largest global producer of alcoholic beverages as well as a substantial player in the Canadian high-rise real estate market and the oil business. The central figure was Sam Bronfman, who was as ruthless with other family members as he was with Seagram's competitors, driving his relatives out of management, dictating the division of profits among the family, and ensuring that his sons would inherit control of the business. But even at the height of his success, 'Mister Sam' fretted about the future: 'You've heard about shirtsleeves to shirtsleeves in three generations', he brooded. 'Empires have come and gone.'

To head off this disaster, Sam put his sons and heirs, Edgar and Charles, through a tough apprenticeship at Seagram, and as his hold on power loosened in the late 1960s, they carried out long-needed changes in the management of a company that had been run for many years as an absolute monarchy. They also demonstrated skills at deal-making, parlaying investments in oil into a major stake in the giant US chemical company, Du Pont, in 1981. For years the dividends from Du Pont provided earnings almost as large as the revenues from Seagram for the Bronfmans.

By the late 1980s Edgar had emerged as the key figure in the company, and he designated his son, Edgar Jr, as heir apparent. For a time Junior (also called 'Efer') carried out Seagram management tasks dutifully, but his heart was never in running an old-line alcoholic beverages enterprise. With his father's blessing, although with some grumbling from other shareholders (including Charles), the Du Pont stake was sold in 1994 to enable Efer to go into show business, acquiring the entertainment conglomerate MCA/Universal Studios and shortly thereafter Polygram, a European music company.

Despite a rocky baptism into the high-risk and personality-driven world of the entertainment business, Efer's commitment to the new course remained steadfast: the Seagram name disappeared after a few years, and eventually it was sold to a European rival, Diageo. But earnings from MCA/Universal lagged behind other entertainment companies, and did not match the Du Pont contributions of yore. By 2000, following the AOL-Time Warner merger, the Bronfmans sought a partner to help them exploit the supposed new era of 'convergence' of media and computer technologies. Their choice was the French company Vivendi, whose chief executive, Jean Marie Messier, had created a multimedia giant out of a sewer and water utility. Unfortunately, Messier's Napoleonic ambitions extended beyond his abilities, and the Bronfmans could only watch in horror as Vivendi sank into a morass of debt. By the time they were able to remove Messier from power, the value of the merged company's stock had collapsed to one-third of its initial value, and the Bronfmans fortune had halved, although still a healthy $4 billion (US).

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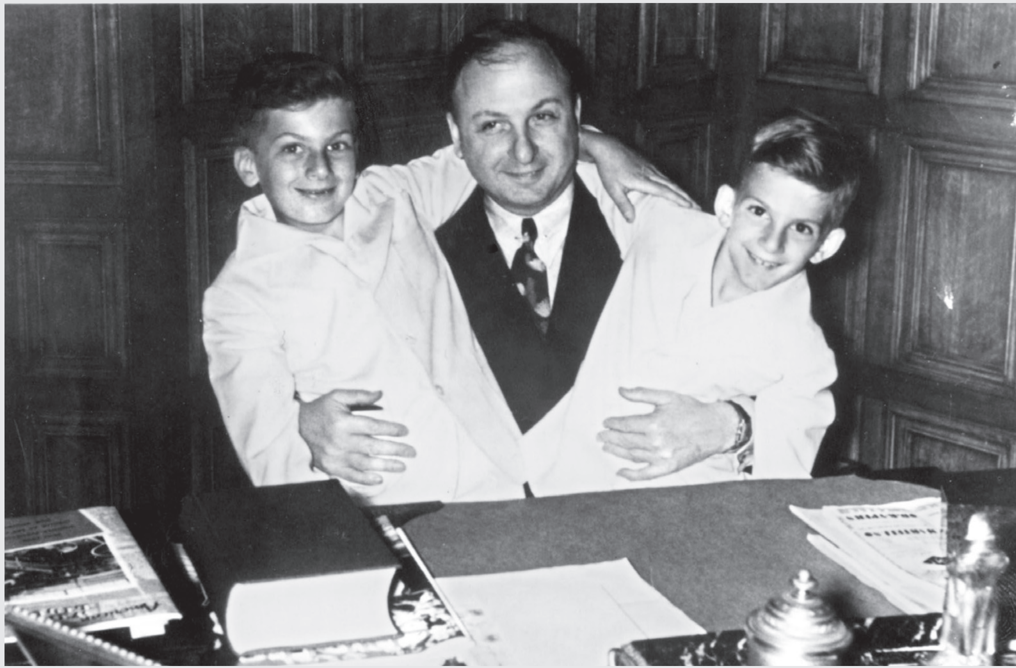

The 'Founding Father': Sam Bronfman in 1938 with his sons, Edgar (on left) and Charles. (*Toronto Star*/ The Canadian Press)

Sources: Nicholas Faith, *The Bronfmans: The Rise and Fall of the House of Seagram* (New York, 2006); Michael Marrus, *Samuel Bronfman: The Life and Times of Seagram's Mister Sam* (Toronto, 1991); Rod McQueen, *The Icarus Factor: The Rise and Fall of Edgar Bronfman Jr.* (Toronto, 2004).

Bell Canada also turned to conglomeration in the 1970s, a novel move for what had traditionally been a profitable but conservative utility since its early years under Charles Sise. As in the case of CPR, the central figure in this transformation was a lawyer, Jean de Grandpré, who had been hired in 1965 to help persuade regulatory authorities to liberalize the legal formulas under which the utility's profits were determined, and later to combat Canadian Pacific's entry into the telecommunications field. In part to circumvent the reach of Canada's regulatory agencies over Bell's international activities, de Grandpré created a separate entity, Bell Canada Enterprises (BCE), which served as the legal parent of the telephone company. In 1983, de Grandpré became chief executive of BCE. Riding the mid-decade securities boom, BCE set out on an expansion strategy that led to the acquisition (among others) of Trans-Canada Pipelines and other remnants of Dome Petroleum, and the former Crown corporation, Teleglobe Canada. At the end of the decade Bell Canada and Canadian Pacific remained, as they had been 35 years before, the country's two largest non-financial enterprises, but both had been substantially transformed into 'diversified' companies operating in international markets.[14]

The economic downturn of the early 1980s had relatively little impact on the momentum of the conglomerators; the more substantial recession a

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decade later—the worst since World War II—was far more lethal, with many empire builders overly leveraged with debt as their companies fell on hard times. An early victim was Robert Campeau, yet another real estate tycoon who had acquired control over two major US retailing giants, Allied Stores (owners of Brooks Brothers, Ann Taylor, and Jordan March) and Federated Stores (owners of the Bloomingdale chain) in the mid-1980s. By 1990 he was overextended, with $10 billion (US) in debts and no prospects for a bailout. Two years later it was the Reichmanns who faced bankruptcy, largely because of their commitment to the huge Canary Wharf building project in east-end London that was premised on the erroneous (or at least premature) belief that Britain's financial houses would all relocate there. Edward and Peter Bronfman kept Edper afloat by increasing capitalization through new public issues of stock in 1989 and selling off MacMillan-Bloedel and Labatt over the next few years, but their days of expansion were largely over. Subsequently, CPR and Bell rediscovered the virtues of going 'back to basics'. William Stinson, a 'fourth-generation railroader' with CPR, became chief executive in 1981 and resumed a strategy of acquisitions of rail lines in the US. In 1996 the company headquarters relocated westward to Calgary from Montreal and it revived its original name, the Canadian Pacific Railway. Five years later, most of its non-railway subsidiaries were divested. BCE also sloughed off a number of 'non-core' businesses at the end of the 1990s, arousing controversy when it abandoned Teleglobe in 2002; that former Crown corporation was taken over by the Indian conglomerate, Tata Group.

One conglomerate that survived these upheavals was Power Corporation, controlled by Paul Desmarais. A French Canadian, born in Sudbury, Desmarais dropped out of Osgoode Hall Law School to take over a family investment in a nearly bankrupt local bus line in 1951. Building on success, he acquired more bus lines in Quebec and also invested in insurance companies and the media, notably Montreal's *La Presse*, which augmented his visibility as a rising francophone businessman during Quebec's Quiet Revolution. His greatest coup came in 1968 when he achieved a foothold in the utility company, Power Corporation, that had been established in 1925 by the Montreal investment firm of Nesbitt Thomson. By the time Desmarais arrived on the scene, Power Corp. had significant shares in the Quebec newsprint company, Consolidated Bathurst, and Canada Steamship Lines. In control of Power after 1970, Desmarais embarked on an expansionist policy, acquiring Great West Life Assurance, Montreal Trust, and Investor's Group, which became the centrepiece for an integrated financial services operation. A failed bid for control of Argus in 1975 precipitated a Royal Commission on Corporate Concentration, which, as usual, concluded that there was no danger of monopoly in Canada and, if anything, there was a need for larger consolidations to make Canadian enterprises more competitive globally.

During the 1980s Power Corp. disposed of its holdings in Canada Steamship Lines (which subsequently was managed for a time by Paul Martin Jr, en route to a political career) and expanded overseas, with an investment in a Swiss financial company, Pargesa Holding SA, paving the way for a new company, Power Financial (PFC), which raised substantial new capital and enabled Desmarais to maintain some of its more troubled subsidiaries, such as Consolidated Bathurst. In 1989 he sold Montreal Trust to BCE, and escaped the fate of most of his debt-ridden conglomerate brethren. Expansion in Europe and the US continued through the 1990s, and Desmarais formed a partnership with Albert Frere of Belgium: their jointly owned Groupe Bruxelles Lambert acquired large shareholdings in French companies, such as Total Petroleum and Lafarge Cement. When he stepped down as chairman of Power Corp. in 1996, Desmarais could boast of an increase in the market value of the company to $2.6 billion from $61 million in 1968. Desmarais's survival (and success) through the years could be attributed in no small part to his skill in disposing of assets in a timely manner as well as acquiring them.[15]

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The crises of the early 1990s did not necessarily mark the disappearance of conglomeration. One persistent figure was Gerald Schwartz of Onex Corporation. A protege of the Aspers in Winnipeg, Schwartz honed his skills in the 1970s at the Harvard Business School and, perhaps more significantly, through contact with financiers of the junk-bond era like Bernard Cornfeld and Henry Kravis. After running an investment arm of Asper's CanWest, Schwartz relocated to Toronto and set up Onex in 1983. Drawing on the 'KKR model' of leveraged buyouts practised by the New York City equity firm of Kohlberg Kravis Roberts & Co., Schwartz focused on acquiring undervalued companies, reorganizing them, and then holding them as they revived, a formula not unlike that of Max Aitken earlier in the century. A takeover of Beatrice Foods in 1987 was an early victory. In 1999 his most ambitious venture, a $1.2 billion bid to merge Air Canada and Canadian Airlines International (formerly Pacific West Airlines of Calgary, which had taken over CP Air in the 1970s), was blocked, but the Onex empire included a wide range of companies, including Loews Cineplex, J.L. French (the largest die-cast maker in the auto industry), Magellan Health Services in the US, and the electronics manufacturer, Celestica, which he had acquired from IBM Canada in 1996, shortly after a lost bid for Labatt. Another westerner, Jimmy Pattison, built a diversified international conglomerate from his home base in Vancouver that included transportation companies, food packagers, financial services, auto dealerships, and 'Ripley's Believe It or Not', a franchised assortment of syndicated newspaper features, television series, computer games, and museums devoted to the bizarre and the unusual.

Critics of conglomeration saw much of this activity as simply 'sound and fury'—moving assets from one owner to another while creating little in the way of lasting value to the economy. Mergers and takeovers created work for numerous lawyers, accountants, brokers, and business consultants, but the 'restructuring' that usually followed eliminated managerial and manufacturing jobs in even greater numbers. The 1978 Royal Commission that followed the Argus–Power contest noted that the financial performance of conglomerates rarely matches expectations; and as the events of the early 1990s were to demonstrate, many of these companies carried huge debt loads that left them vulnerable to economic downturns.

A (Partial) Changing of the Guard

In 1975, the journalist Peter C. Newman, in the first of his numerous volumes on *The Canadian Establishment*, provided a portrait very similar to John Porter's *Vertical Mosaic* (1965). This was a picture of a business elite still carrying the legacy of their Anglo-Scottish forebears, who perpetuated networks of privilege and power through social and familial connections. Within this context, ethnic sub-communities formed their own limited business elites: a French-Canadian group in Montreal and Quebec centred on banking and the law; a Jewish business community, principally in Montreal but also found in places like Winnipeg. Oil and gas and related resource industries had spawned a new generation of aspiring capitalists in the Alberta and British Columbia, but they were at best a regional elite in the 1970s.

Even at this time there were changes in the political scene, with the emergence of Quebec and the West, the impact of immigration on Canadian society, and increased attention to the rights of women and Aboriginal communities. To some extent these changes were reflected in developments in the business world, although it would be an exaggeration to see the evolution of the business elite as a mirror image of broader trends in society. Nevertheless there were signs of increasing diversity among those who achieved great wealth if not necessarily the social prestige conferred by generations of reinvestment. Many of the conglomerate kings of the 1980s were 'outsiders' like Desmarais or the Bronfmans, if not 'newcomers' like the Reichmanns. Meanwhile, aspirants from communities of new immigrants were establishing more

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than a foothold in the upper echelons of the manufacturing and financial service industries.

From the early twentieth century through World War II, much of the immigration to Canada came from either the British Isles or Eastern Europe, complemented by Chinese and Japanese immigration to the west coast. In the post-war era there was a fresh infusion of British migrants, as well as people from Central Europe whose homelands were disrupted by Cold War struggles. By the 1980s a tide of immigrants was coming into the country from the Indian subcontinent, the West Indies, Africa, and East Asia, the latter particularly from Hong Kong and Taiwan but also from Vietnam and the Philippines. By 2000, one-fifth of the population was foreign-born. These developments had wide-ranging effects on Canadian society, particularly since most of these immigrants settled in large cities from Vancouver to Montreal, and inevitably issues of 'multiculturalism' became a focus for political debate. At the same time, these patterns were affecting the business community, not just in terms of consumption and the workforce, but as a source of entrepreneurship.

The lands of the former Austro-Hungarian Empire provided an interesting mix of business-minded immigrants. The Reichmanns had originated in Hungary and spent time in Vienna as currency traders before fleeing in advance of the Nazi takeover in 1938. This same event precipitated the migration of another family. In 1894, Tomas Bata established a shoemaking factory at Zlin, in what was to become Czechoslovakia. Bata built a company town and experimented with new modes of industrial organization and social reform while promoting a vigorous export trade as far afield as India and Brazil, and building branch plants across Europe. Six years after Tomas's death in 1932, his son, Thomas Bata (Sr), arranged to set up a plant (and a company town, designated 'Batawa') in Ontario to avoid the anticipated calamities of Nazi rule and war. This proved to be an act of foresight as the Bata operation in Czechoslovakia was nationalized when the Communists came to power there in 1948. The Bata family was embroiled for a time, however, in a power struggle between Thomas and his brother Jan Bata, who had remained in Europe. Meanwhile, the company, now operating from Toronto, rebuilt its international sales and manufacturing organizations.

In 1984, Thomas Bata Sr stepped down as chief executive, but after a few years there was increasing friction with his son, Tom Jr. In part, this reflected differences over marketing, as Bata faced new competition from cheap shoe producers in East Asia, and a need to reorganize the highly decentralized system of branch plants that had evolved in the early post-war years. After several changes in management, the company decided to close its Canadian plant at Batawa in eastern Ontario. Although Bata retained a retail presence in the Canadian market, most of its manufacturing operations had moved to Africa, Latin America, and India.

In contrast to the Batas, who moved an existing organization with them, Frank Stronach arrived in Canada in 1954 virtually penniless, and embarked on a genuine 'rags to riches' saga. Trained in his native Austria as a tool-and-die maker, Stronach recruited other Austrian mechanics to join him in 1957 when he set up an auto parts company, Multimatic. Later, he acquired control of a small electronics company, Magna, in the 1960s, which, rechristened as Magna International, became his vehicle for growth. Benefiting from opportunities presented to Canadian parts suppliers under the Auto Pact, Stronach won the loyalty of the American-owned automakers in Ontario by providing a version of 'just-in-time' delivery that had been a significant competitive advantage for the Japanese when they entered the North American market. In 1990, as the auto industry went into recession, Magna faced a crisis as a result of overexpansion of facilities to accommodate the needs of his clients; fortunately, Chrysler sustained contracts with Magna while Stronach downsized his operations, and by the middle of the decade the company had reduced its debts and expanded its clientele to include luxury carmakers like Jaguar and Rolls-Royce as well as Japanese manufacturers.

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Stronach also invested in research and development, enabling Magna to come up with improved parts using lightweight materials and integrated assembly structures. In 1992, Magna began investing in Europe, acquiring the Austrian Steyr auto parts maker, which had the capability of assembling entire automobiles. Riding the auto boom of the 1990s, Magna's sales rose from $2 billion to $9 billion from 1990 to 1999, while profits increased from less than $100 million to $500 million. Stronach entered the pantheon of Canada's wealthiest individuals, although shareholders began to complain about his compensation level when the auto parts market began to cool down after 2001, particularly since Stronach had supposedly withdrawn from regular management responsibilities (his daughter, Belinda, had briefly run the company before embarking on a political career). Another source of friction was his growing preoccupation with horse racing, which led to the creation of Magna Entertainment in 2000, whose losses were offset by contributions from the parent company. But with control of the company through multiple voting shares, Frank Stronach was able to face down his critics. As the US auto industry lurched into crisis in 2007, Stronach joined forces with Gerald Schwartz of Onex in a bid to take over Chrysler.

While European immigrants like Stronach and his German-born contemporary, Robert Schad, who established Husky Injection Moldings in the 1960s, often moved into manufacturing, the 'new immigrants' of the 1970s and later were more likely to enter retail trade and services, establishing a range of small and medium-sized businesses in Canada's urban centres. On the west coast, particularly from the late 1980s, there was an infusion of wealthy expatriates from Hong Kong seeking a foothold in Canada in anticipation of the takeover of their haven by the People's Republic of China in 1996. Among the most prominent of these were the two sons, Victor and Richard, of Li Ka-shing, ranked by *Forbes* as one of the 10 wealthiest people in the world. Although the family members spent more time in Hong Kong than their new residences, Li undertook some major investments in Canada, including major stakes in Husky Energy and the Canadian Imperial Bank of Commerce, and a dramatic albeit unsuccessful bid to acquire Air Canada in 2004.

A different path was followed by V. Prem Watsa, who emigrated as a young man from India to London, Ontario, in 1972, where he worked for Confederation Life. In 1984 he set up in business as an investment counsellor, acquiring a small, financially strapped trucking insurance company, Markel Insurance, which he renamed Fairfax, and broadened out into general property and casualty coverage. Over the following decade Watsa expanded the company by buying up other troubled insurance firms in Canada and the US; his most significant acquisition was the Skandia America Reinsurance Co. in 1996 after it had experienced serious financial losses after Hurricane Andrew, and he added other reinsurers based in Bermuda and Paris. Expansion was financed generally through new stock issues rather than debt, with Watsa holding a strong minority position. Stock analysts began comparing Watsa's investment strategies with those of Warren Buffett of Berkshire Hathaway. Although battered by losses from storms in Europe and the destruction of the World Trade Center in 2001, Fairfax survived, and in 2006 it was the third largest diversified insurance company in Canada, after Manulife and Sun Life.

In 2004 the Royal Ontario Museum, customarily the recipient of the charitable support of Toronto's social elite, received an astonishing gift of $30 million towards its ambitious renovation plans. The unexpected donor was Michael Lee-Chin, of Jamaican-Chinese parentage, who had come to Canada with a government scholarship in 1970 to study civil engineering at McMaster University (which also became the future beneficiary of a $5 million gift). Unable to find engineering work in Jamaica, he returned to Canada and worked as a financial adviser for the Investor's Group. In 1983 he set himself up in the financial services business with other investments in

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insurance and securities management. Four years later he acquired Advantage Investment Council, which he redesignated AIC and transformed into a major mutual fund. Lee Chin avoided entanglement in the dot.com boom of the 1990s, and AIC emerged after the debacle in that field as one of the best performing funds in Canada. As with Prem Watsa, there were comparisons with Warren Buffett. At this point, Lee Chin's philanthropic impulses moved to the fore, not only through his Canadian gifts but through more significant efforts to improve his homeland of Jamaica. He acquired 75 per cent of the shares of the National Commercial Bank of Jamaica, and established an AIC Caribbean Fund with the aim of raising $1 billion for investment in Caribbean businesses, including insurance, media, and health-related enterprises. In 2006 he stepped down as chief executive of AIC, although he continued to be active in shaping its overall investment strategy.[16]

The period from the 1960s on witnessed significant changes in the status of women in Canada, as in other industrialized societies. By the end of the century there were more women than men enrolled in universities, and their numbers in the professions rose, particularly in law and in the medical fields. Women also began to become more visible within the ranks of management, but at least in the upper echelons of business, there was a perception that a 'glass ceiling' prevented their rise to the top positions. To be sure, there were some prominent female chief executives, particularly among foreign-owned companies, such as Maureen Darkes, who was president of General Motors of Canada from 1997 to 2002, and Annette Verschuren, who as president of Home Depot Canada from 1996 expanded that company's operations from 19 to 150 stores across the country and into China. Nevertheless, several studies conducted in 2006–7 concluded that women remained under-represented in senior positions in Canada's largest corporations: only 13.5 per cent of board members in the top 100 companies were women, and only 7 per cent of the 500 highest-paid executives in Canada were women. Even within this small cohort, there was a clustering in areas such as financial services and retailing, with relatively few in the industrial sector.[17] Belinda Stronach, whose sojourn in federal politics proved to be of short duration, returned to Magna and was an exception.

Looking beyond the realm of corporate top executives, there have been examples of women who have attained prominence in family or proprietary enterprises, and indeed this has been an area where barriers to women, such as restrictions on access to capital, have been attenuated somewhat. Some recent examples include Heather Reisman, who founded Indigo Books in 1996 and in 2001 acquired (with financial support from her husband Gerry Schwartz's Onex Corporation) a much larger chain, Chapters, making it the largest bookseller in Canada. Similarly, Wendy MacDonald, who inherited a relatively small Vancouver machine tool company, BC Bearings, when her husband died in 1950, expanded the firm across western Canada and into the US, Mexico, and South America by the 1990s; her company repeatedly earned the award as the 'best managed company in Canada' by the *Financial Post*.

Perhaps the most prominent example of an heiress-executive is Martha Billes of Canadian Tire. In 1922 two brothers, Alfred J. and John W. Billes, acquired an auto parts and service garage in Hamilton, which became the base for a chain of associated stores and a mail-order operation that established a dominant niche position in the auto parts market in Canada by the 1950s, when John W. died. His brother continued to run the company for the next decade, introducing 'Canadian Tire money' and other marketing devices that boosted sales. In 1966 he retired from active management, but continued to play a role in the company's strategic expansion. Upon his death in 1995, his two sons and daughter squabbled over the legacy (each had been given 20 per cent of the shares), with Martha emerging victorious, buying out her brothers for $45 million in 1996. Although the company was run throughout this period by

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professional managers, Martha assumed the role her father had maintained, as the company faced off competition from Wal-Mart and Home Depot, and acquired Mark's Work Wearhouse. It doubled its sales and profits between 1999 and 2006 and was one of the few major retail chains under Canadian ownership.[18]

Even more formidable obstacles to advancement in the business world faced Canada's Aboriginal peoples and Métis. For almost a century after the Indian Act of 1876, federal policies focused on the goal of assimilation and eradication of traditional tribal institutions and practices, particularly through education. But emphasis was not placed on generating entrepreneurial attitudes, even though Aboriginal people had traditionally been involved in trade; they were to be trained to be small farmers and labourers. This approach came increasingly under fire in the 1960s and there were proposals to devolve greater authority to Native communities, although there was resistance on the part of Native leaders to the elimination of their status under nineteenth-century treaties. In terms of economic development, the most significant measure of the era was the establishment of an Indian Claims Commission in 1969, which paved the way for negotiations by Native communities over compensation for access to their resources, although these processes were complicated by federal–provincial disputes over jurisdiction on these issues.

Among the most significant of these negotiations involved the Cree of the James Bay area in northern Quebec where, after years of litigation with the Quebec government over its hydro development plans, an agreement was reached in 1975 that provided for cash and royalty payments of $135 million, with an additional $90 million going to the Inuit of James Bay who set up the Makivik Corporation to manage investments that ranged from local fishing operations to shares in Nordair. Another large settlement was the Western Arctic Claim Agreement of 1984 that yielded $55 million to the Inuvialuit, who set up an Inuvialuit Development Corporation that invested in transportation, real estate, and energy resources in the region.

These success stories largely benefited those Native communities fortunate enough to be sitting on highly desirable natural resources and who, because they had never been included in the treaty process of earlier years, were able to negotiate comprehensive agreements that included large cash settlements for portions of their traditional homelands. For the rest, conditions of poverty and marginalized development persisted. In 1981 the federal government introduced a Native Economic Development Fund, but by the end of the decade only a fraction of the $345 million promised had been allocated. Increasingly, Native leaders were looking to other means of promoting development, and for some this quest led to the world of gambling.

Gambling or 'gaming' was as much a part of traditional Native life as trading, and thus became a target for assimilation-minded reformers in the late nineteenth century, whose views on this matter were applied more generally: the 1892 Criminal Code strictly regulated all forms of gambling, including lotteries and raffles, although betting on horse races was exempted. Attitudes had begun to moderate after World War II, with the resurrection of government lotteries in the 1960s, but legalization of other forms of gambling, particularly casinos, continued to encounter resistance for another two decades.

Interest in casino gaming emerged among Native communities in Canada in the context of developments in the United States, where the concept of casinos as a vehicle for economic revival had been promoted by the experience of Atlantic City in the early 1980s. In that same time, the Seminoles of Florida had successfully challenged an effort by the state government to ban their bingo halls, with the court ruling that regulatory laws did not extend to Indian lands. This led to the establishment of a successful casino by the small Pequot community in Massachusetts, followed by a proliferation of Native gambling facilities in the US and a federal Indian Gaming Regulatory Act in 1988.

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These events were observed closely by Native leaders in Canada, but efforts to follow a legal strategy similar to the Seminoles were thwarted by a court decision in 1990 that identified gaming regulation as falling under provincial jurisdiction—any plans by Native groups to establish gaming facilities required agreement with provincial authorities. Nevertheless, the casino commitment was pursued with some success, notably in Ontario and Saskatchewan in the early 1990s, and by 2006 there were 11 Native-owned casinos operating in Canada. While facing criticism for exploiting the weaknesses of problem gamblers (most users of Native casinos were not themselves Native Canadians) and promoting risks for the communities that owned them, the casinos were in a growth sector, with gaming accounting for 10 per cent of expenditures on leisure activities in Canada.[19]

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