

They account for 60% of manufacturers in the SME segment.

BY JOE TERRETT, EDITOR

Most Canadian manufacturers are small and medium-sized enterprises (SMEs). Dig a little deeper, and you'll find most are family-owned, and they play a huge role in Canada's economy.

New research by the Family Enterprise Xchange Foundation (FEX-F) partnering with the Conference Board of Canada, an Ottawa-based research firm, studied (based on a range of statistical sources) the economic weight, regional impact, industry presence and business performance of these firms. The study found family enterprises: account for 63.1% of all private sector firms in Canada; generate 46.9% of private sector employment; and account for approximately 65% of the output and 90% of the jobs generated by SMEs. That's 6.9 million jobs, almost 47% of private sector employment and 37.4% of Canada's entire workforce.

Also of note: family businesses have staying power. The research shows 70.1% of the companies in operation in 2007 were still in operation in 2013, compared with just 65.2% of other firms.

According to the Conference Board's study (download *The Economic Impact of Family-Owned Enterprises in Canada* at <https://bit.ly/33hdV9F>), more than 60% of the manufacturers in the SME segment are family owned and account for more than 60% of the jobs.

Describing the study as the first of its kind, Michael Bassett, the Conference Board's director of research impact and content strategy said the research shows family-owned businesses exhibit characteristics that are different from non-family-owned. "Given demographic trends and the looming succession of many family enterprises, the data gaps



# Family-owned COMPANIES

## THEY'RE MAJOR PLAYERS IN CANADA'S ECONOMY

in our understanding of this important part of the economy are worrying because policy makers are largely in the dark regarding an important driver of the Canadian economy."

What makes these firms unique? Bill Brushett, president and CEO of the Family Enterprises Xchange, a national organization based in Oakville, Ont. that represents family-owned companies and their professional advisors, cites three key characteristics.

"They tend to be very values driven, extending values important to the family into the business, which resonates with both customers and the supply chain. They want to work with people who have like values," he says.

These firms are also focused more on the long term while public companies are driven by managing shareholder expectations and quarterly reporting.

"Private tends to be much

more patient. They invest for the longer term and think intergenerationally rather than quarter to quarter, which establishes their long-term commitment to customers and building out their supply chains and industry sectors," Brushett explained.

### Spanning generations

They're also "very community minded," he added, noting the importance of being part of their communities. "It's not just about the business. This is where the family value of giving back comes into play."

Family firms can span several generations, but recent global research suggests the average lifespan across a sector is three generations.

Transitioning to new leadership, or even new ownership is a major challenge for family firms, especially as baby boomers shift into retirement mode, or as leaders step back from a direct role.

Brushett says developing

*Developing that next generation of leaders.*

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that next generation of leaders, getting them excited about the future and then developing their skills to become leaders is on the minds of a lot of business owners. "But also important is having a very supportive public policy environment. We know that with better information, we can have better public policy decisions that support the transitions and the development of leadership."

What's the prognosis for Canadian firms?

"I believe the future of family-owned enterprises is quite good, probably better than it has been for decades," Brushett says.

He acknowledges there isn't enough solid economic research available that drills down into the details of family-owned businesses. The Family Enterprises Xchange and the Conference Board stress the need for more research to better understand the interactions between industrial, taxation, regulatory structures and family-owned enterprises.

This would aid in the creation of public policy and strengthen a valuable contributor to the economy.

That said, the research available today still provides a better understanding of these companies and the contribution they make to the economy.

"That body of knowledge is helping us make these transitions more successful," Brushett says. "It's important to focus on the long-term success of this segment of the economy. It's an important driver for our future."

See the Family Enterprise Xchange white paper, *Family Enterprise Matters: Harnessing the Most Powerful Driver of Economic Growth in Canada* at <https://bit.ly/2qx1x8f>.

**Comments?**

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