



Major family-controlled companies outperform widely held corporations and are led by more women

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Canada's big family-controlled companies are extending their edge in stock market performance against widely held corporations as a new generation of female leaders assert themselves in the boardrooms and executive suites of family firms coast to coast.

The latest study by National Bank of Canada tracking the performance of major family-controlled companies countrywide shows they tallied a cumulative total return of 180.9 per cent over a 15-year span from June, 2005, to June, 2020, besting the 140.5-per-cent return for the S&P/TSX Composite Index.

The family-controlled companies, which include corporate pillars such as Rogers Communications Inc. as well as newcomer Lightspeed POS Inc., returned 7.1 per cent on an annualized basis over this time versus 6 per cent for the S&P/TSX Composite, according to National Bank's most recent report, which has been released annually since 2018.

"This is all about the resilience of these companies and their focus on the long term," said Vincent Joli-Coeur, National Bank's vice-chairman of financial markets, who co-authored the report. "Family control brings this resiliency."

A snapshot through Oct. 8 shows the family companies have posted a total return of 2.8 per cent this year, while the S&P/TSX index returned negative 0.5 per cent. The bank's research suggests that while family firms prioritize long-term over short-term performance, they've still been able to react more quickly to the coronavirus crisis than some non-family companies while rallying employees more effectively.

"The culture of these family companies, which often permits bottom-up approaches to strategic development, has helped them be more flexible in circumstances like the one

we're living now," said Stephanie Larivière, National Bank's co-head of institutional sales.

At the height of the pandemic in the spring, the senior executive team of family-controlled CGI Inc., the business and technology consulting giant, met twice a day to go over key issues and make quick decisions, CGI co-chairman Julie Godin said. Meanwhile, Groupe Germain Inc. co-founder Christiane Germain took a road trip across Canada with her nine-year-old granddaughter to visit the group's hotels still operating. The move showed Ms. Germain was leading "with authenticity, proximity and the right dose of sensitivity," according to National Bank.

Family-controlled and founder-controlled companies are crucial components of the entrepreneurial fabric in Canada and abroad, accounting for about 80 per cent of companies worldwide and 40 per cent of the Fortune Global 500. They also offer environments that allow women to take prominent roles and thrive as business leaders, the bank highlights in this year's version of the report.

Statistics compiled by the bank show that for the 38 companies in its Canadian Family index this year, 13 per cent of them are led by a female chief executive officer versus 5 per cent among S&P/TSX Composite-listed companies. Similarly, 28 per cent of Canada's family firms in the National Bank index have female directors versus 18 per cent for Canadian companies as a whole.

Family firms face less external pressure in business decisions, such as choosing and preparing their next leader, the report states. They also have the luxury of picking the right person for the job, someone in line with the controlling shareholder's values and company culture.

That person has often been the founder's daughter, as in the case of Linda Hasenfratz, CEO of Guelph, Ont.-based auto parts maker Linamar Corp., or their granddaughter, like Nancy Southern, the CEO of Calgary-based electricity and logistics supplier Atco Ltd. Skilled leaders that have cut their teeth outside family-controlled firms, like Loblaw Cos Ltd. president Sarah Davis, have also been promoted after earning the trust of the owners.

Ms. Southern, who was among nine female business leaders interviewed for the report by McGill University professor Karl Moore, recalls living on the trailer lot where Atco's first factory was located. The 800-square-foot home was where all the company's meetings happened, and so she found herself in the thick of the action and grew up with it.

At around the time Ms. Southern was appointed to Atco's board in her 30s, her father assigned four Atco directors to groom her for a more senior leadership role. One, a man, was at a loss about what to teach her, likely assuming she wouldn't run the company, she remembered in the interview. "It wasn't that I wanted to prove them wrong. It was that it made me start thinking: Well, why couldn't I [run the company]?"

In a very real way, these women earned "an MBA at the family table," Prof. Moore said. Their mothers and grandmothers were also intimately involved in building the business, though they often had no formal job title, which makes the companies more open to female leadership, he said.

Montreal-based National Bank is the principal lender to several major Canadian firms that are controlled by families. Its NBC Canadian Family Index includes companies with a market capitalization of at least \$1-billion where the founders hold at least 10 per cent of the company's voting rights or companies where individuals hold a minimum one-third of the voting power.

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