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Inter-corporate ownership and diversification in the Canadian economy 1976-1995

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Abstract

Purpose

To test the hypothesis of increased specialisation during the 1980s in the aggregate pattern of intercorporate ownership in the Canadian economy.

Design/methodology/approach

The network of ownership between enterprises and subsidiaries is characterised for the period 1976-1995 using data for the population of medium-sized and large Canadian corporations collected by Statistics Canada.

Findings

Aggregate diversification declined slightly over the period in terms of the average number of industry groups in which enterprises have subsidiaries. However, there was an increased likelihood that subsidiaries were outside of the core industry group of the enterprise.

Research limitations/implications

The data provide insight into ownership changes across the economy and are not sensitive to changes in a few very large firms. However, a weakness of these data is that the ownership linkages are not weighted to reflect the economic importance of the enterprises involved. There is evidence that the pattern of inter-corporate ownership is different between manufacturing and service sectors. Future research should treat these separately.

Practical implications

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expectations and risks taken by shareholders, and the

commercial and tax policies set by government. At an aggregate level, a reduction in diversification may change the industrial structure of the economy, with sectors less integrated through ownership relationships, and thus potentially more sensitive to patterns of market exchange.

Originality/value

Much of the literature on the effect of ownership restructuring on aggregate diversification is focused on the US economy, and there is little empirical evidence in the Canadian context. The data are unique, representing a population of medium-sized and larger firms. To our knowledge there are no published analyses of the ownership structure represented in these data.

Keywords

National economy

Diversity management

Canada

Corporate ownership

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