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Paterson Ewen • *Halley's Comet as Seen by Giotto, 1979* • acrylic on plywood • 229 × 244 cm

Photo: Yvan Boulerice

industry-government co-operation can be possible and profitable. Yet in the next breath, the authors castigate such government initiatives as the anti-inflation program and FIRA for hampering the growth and operations of Genstar, with the comment: "Such intervention does little to foster business confidence in Canada."

So where do the authors stand? Government intervention is obviously useful in some cases, but not in others. The reader searches in vain for any indication of the criteria by which to assess the value of or to guide government intervention, let alone any sense that strategic managers should concern themselves with any interest beyond that of the management of the enterprise itself.

Yet it is precisely the perpetuation of this out-dated dichotomy between the so-called management/private sector/efficiency perspective, and the public sector/distributional/equitable perspective that is preventing the much-needed national collaborative effort to ease the transition to the "next economy."

As long as management and our private sector leaders pursue an ostrich-like, head-in-the-sand approach to their activities, focussing only, for example, on the "economic performance" of their enterprise without regard to the broader public interest in the nature of employment and investment opportunities and the upgrading of the education and skills of the labour force, we will never get off first base. Instead we will find ourselves ten years from now, as David Crane apocalyptically observed in an excellent series of *Toronto Star* articles (May 1986), the low-wage country of the industrial world.

The failure of *Megafirms* to contribute to the critical public policy debate required at this time is most obvious in three areas: the need to encourage more research and development in Canada and to shift away from our reliance on the resource sector; the need to deal with the concentration of corporate ownership; and the need to spur greater risk-taking on the part of Canadian entrepreneurs.

With the exception of Northern Telecom and Moore Corporation, all of the twenty megafirms analyzed by Rugman and McIlveen are in the mature resource-based sectors such as pulp and paper, mineral, beverages and energy. In conducting the individual analyses of each megafirm, the authors expressly set out to answer the question why each resource-based company is so successful and efficient "despite the disregard for the high tech sweepstakes of today."

One might have expected some concern to be expressed over the pathetically low R & D expenditure of these Canadian megafirms—a mere 0.8 percent of total sales (excluding Northern Telecom), compared to 2 to 3 percent for U.S., European and Japanese multinationals. But the authors conclude simply that this is not a deficiency that requires correction.

The U.S, European and Japanese multinationals enjoy a technology-based firm specific advantage whereby output is geared more to new product innovation—something that necessitates high R & D expenditures. By contrast, the Canadian resource-based megafirms need only focus on *adapting* existing technologies and knowledge in order to improve the efficiency of both their production and marketing operations and customer-oriented skills.

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The authors are content to state baldly that, for these megafirms, "the development of new technologies may not be a feasible strategy," and that "an alternative focus on R & D to improve productivity has apparently not handicapped [them]." They then seem to draw comfort from the fact that the low level of R & D expenditures has not hindered the economic performance of the Canadian multinationals as measured by average return on equity. They conclude that their study demonstrates the success of managerial strategies aimed at the marketing end of business rather than the producing end, and "proves the fallacy of over-reliance on technological strength".

A more one-dimensional analysis would be difficult to find. Where is the concern for the need to shift away from excessive reliance on our resources and towards greater reliance on the knowledge and skills of individual Canadians and the development of new products and processes based on higher technology? Where is the concern with the broader structure of the Canadian economy, a more diversified economic base, the type of jobs we are creating, or, in the case of the resource-based firms, the massive job loss incurred in the name of greater efficiency and "improved economic performance"?

Where is the concern with our seemingly placid but self-destructive acceptance (urged on by some of our resource moguls such as Noranda Inc.) of a falling dollar as the solution to our competitive difficulties? This is a policy that, as Lester Thurow observes, leads ineluctably to a shift of the nation's industry towards those low-productivity, labour-intensive products, where low wages are important, and away from the high technology products where innovation and efficiency are important.

Finally, where is the concern over the dismal Canadian record in using new technology, designing new products and services, upgrading education and skills, improving labour-management relations, pursuing new markets or raising the quality of Canadian business executives?

The authors are equally sanguine and one-dimensional in their analysis of another critical public policy issue: the concentration of corporate ownership. They acknowledge that the ultimate ownership of many of the firms lies with the Bronfman and Reichmann families, Paul Desmarais (via Power Corporation) and the Quebec provincial government via its holdings in the Société générale de financement du Québec and the Caisse de dépôt et placement du Québec. But no value judgments are made and one is only thrown a few bland statements such as the following: *All of the 20 megafirms share ownership ties and/or directorships, indicating the influence exercised by a few, or perhaps the lack of a pool of adequately qualified persons in Canada. The links might also reflect the financial and social circles in which these people move.... The most likely explanation is that the directors' mutual familiarity reduces the uncertainty and information costs entailed by the normal flow of goods and services between Canada's large corporations.*

Once again it would be difficult to find an analysis more devoid of any public policy perspective. Admittedly, the authors did not purport to write a book like Ralph Nader's recent revealing publication *The Big Boys: Power and Position in American Business*. But it is clearly time for a similar study in Canada that goes beyond the narrow Peter C Newman family compact focus, and examines not only whether our chief executives may potentially abuse their power and other serious implications of concentrated ownership, but also how we could encourage our business leaders to use their power toward broader social and economic ends.

As Peter Drucker has observed, business leaders must recognize that the enterprise does not exist exclusively for the sake of the shareholders, but plays an important role as an employer, as a citizen of the community, as a customer and as a supplier. Severe restrictions on hostile take-overs and "paper entrepreneurship," together with requirements for outside independent directors representing different segments of society may be a beginning.

Finally, a third area where Rugman and McIlveen fall short in blending corporate and public policy analysis is in their cavalier treatment of the evident lack of risk-taking on the part of Canadian entrepreneurs. The reader finds, for example, the following remarkable statement following the analysis of the four Canadian beverage megafirms. *All the Canadian beverage firms exhibit a trait apparently specific to Canada: none of them take risks to any significant degree. They either continue to develop their traditional products, or acquire safe firms in tried and true markets. The desire to play it safe is fostered by their preoccupation with achieving progressively increasing annual returns.*

This is an observation with profoundly disturbing implications that cries out for a public policy response. But once again, its impact fizzles out with the authors' bland statement that "if the firms intend to remain multinationals of any consequence, they must make a greater commitment to long-term strategic management."

Clearly, *Megafirms* is not designed for the reader interested in public policy. It would be easy to say that it is nevertheless of some value to students of business schools, and undoubtedly it does break new ground in terms of some of its empirical research and descriptive analysis.

But one would hope that, in future, those who would concern themselves with corporate analysis, and particularly those who are in a position to influence the views of new generations of entrepreneurs, will attempt to address the broader but absolutely critical issues of public policy inherent in the interface between the private and public sectors in this country.

The only way we will be able to master and harness the technological revolution to the benefit of all Canadians is if, among other things, our business and political leaders undertake an unprecedented national collaborative effort, in conjunction with other critical groups in society, to articulate and pursue a common public interest.

Thus, while *Megafirms* may be a useful, albeit disturbing, description of the state of the Canadian economy, what we now require is that men and women like the authors of *Megafirms* turn their evident talents to proposing credible prescriptions for a strategy of change that will take us successfully into the twenty-first century and the high technology age.

The need for such innovative thinking is all the more urgent since there is a clear absence of new ideas at the political level. Our leaders have yet to articulate a national strategy that will ensure that Canada will remain in the front ranks of the developed world notwithstanding the intense global rivalry generated by the technological revolution. No one has yet conveyed to Canadians the urgency of the situation and the critical need for an unprecedented degree of collaboration among all sectors of society. No one has yet clearly proposed a set of priorities and how these will further our ideals of social and economic progress.

In Canada, an essential first step must be the development of a national science and technology policy—one which will involve a symbiotic relationship between the government and the various segments of the private sector, but one in which our elected leaders clearly articulate the public interest and the strategy that will then be implemented by the other players on the stage.

One component of this policy is a strategy for moving away from our excessive reliance on the Linus blanket of our natural resource base, and for actively creating the critical comparative advantage that lies in the development of our intellectual resources and the ability of individual Canadians to work within a new and still unfamiliar technological framework.

This means enhancing our capacity to interact with the various manifestations of our electronic world in all spheres and at all levels, whether in a factory with robots, in the most sophisticated office environment with word processors, in a primary school with computers, or in the most advanced institute of higher learning with basic and applied research of the highest calibre.

In successfully implementing a national science and technology policy, coming to grips with the reality of corporate power in Canada must be a central consideration. This is essential if the government is to seek new avenues of greater government/corporate understanding and co-operation in policy setting. Likewise, as Stanley Beck succinctly notes in his background study for the Macdonald Commission, "corporate leadership must also recognize that government is not an adversary or an interfering regulator but a necessary partner in economic regeneration."

This new rapprochement must avoid the excessive corporatism of the past and must be placed in the context of an optimal balance of all other critical interests in society—whether employees, investors, educators and so forth. To achieve this rapprochement will not be easy, however. And progress may be impeded by the fact that the corporate sector in Canada reflects an extremely high degree of concentrated ownership and, in addition, remains excessively attached to our resource base. This means that a relatively small number of corporate actors continue to wield a great deal of power in Canadian society, whether in respect of the nature of employment, the opportunities for investment, or the allocation of scarce resources. They also have a disproportionate influence on the policy agenda of the current federal government, in particular—a government that seems all too content to simply respond to the private sector, rather than prepared to take firm initiatives and provide the critical leadership that we should expect of our political leaders.

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