

# Evolving Business Centres in Canada: The Establishment versus The Next Wave

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Regional economic disparities are characteristic of Canada. Southern Ontario and Quebec have long been the home of many of the businesses that dominate the country's economy, while business centres in the other regions of the country have played a lesser role in all but a few economic sectors. This paper studies the evolution of Canada's system of business centres by contrasting the locational patterns of headquarters for two groups of businesses: the largest businesses in the country, the Canadian Establishment, and the fastest-growing businesses in the country, the Next Wave. The results show that while the country's core region dominates both groups, the Next Wave is most highly attracted to suburban locations in the national core. The Canadian Establishment is dominated by central-city locations in Toronto and Montreal, as expected, but is also more spatially dispersed than the Next Wave at a provincial level of analysis. The paper provides a number of perspectives on these spatial distributions and suggests that the findings have meaning for the further development of business location theory.

*Key Words: location theory, quaternary location, corporate headquarters, economic development, establishment, next wave.*

Regional economic disparities are an enduring characteristic of Canada. In this sense, Canada is by no means unique, as countries worldwide have long grappled with the impacts of regional economic variations on the health and wellbeing of their cities and people. Italy's industrialized and prosperous north contrasts with a relatively poor and lagging south, while Germany's robust west has taken the burden of modernizing an east that is still emerging from decades of inefficient, centralized planning. However, in many ways Canada is set apart from nations such as these, as its geographic extent is paralleled by only a small number of countries, including the United States, Russia, and Australia. It is this special situation, and the developmental challenges that such a continental scope presents, that form the focus for this research. This paper studies the current state of business centre evolution across the continental landmass of Canada.

Certain cities and regions have historically been important as centres of leadership for Canadian business and society (McCann and Simmons 2000; Semple 1996).

This agglomeration of corporate power in selected places has significance for the study of the spatial distribution of economic activity in Canada. Decisions affecting the economy of the country are made from a few select places – places that are also centres of information gathering, high-order business services, and international investment (Green *et al.* 2000; Walcott and Wheeler 2001). The location of elite businesses activities and infrastructure in a few key centres is highly related to the economic, political, and cultural potential of Canada as a whole.

Throughout the country, businesses and their leaders have a meaningful effect on the quality of life of the cities in which they live. The connections and resources possessed by businesses can, for example, make the difference between acquiring a particular technology for a local hospital or university and not having the technology in the area at all. Royal University Hospital of Saskatoon's acquisition of a Magnetic Resonance Imager, made possible in large part by financial support from

Saskatoon-based Potash Corporation of Saskatchewan, is one example of the benefits of a vibrant, local business community. Although corporations and their leaders, like everyone else, can have effects that are both positive and negative, many things that businesses do have tangible benefits for the wider community. The presence of large and growing businesses in a city has a wide effect for many residents of the area.

The times in which we live indicate that the study of leadership in general, and corporate leadership in particular, is an important part of understanding our country. In recent years, leaders in many important areas of Canadian life have felt a growing scrutiny of their performance by the public. In the corporate world, executives have come under pressure by shareholders to maintain profitability in the face of increased competition. Corporate leaders have also met with pressure from employees and outside special interest groups to follow a number of different, sometimes contradictory, strategies. Geographic variation in the external environment, including such factors as shifting markets, competitors, and economic infrastructure, is an important influence on the location of business.

The following study of business location shows how the system of Canadian business centres is currently evolving within the geographic constraints imposed by the external business environment. The paper begins with a review of key developments in theory and research that constitute the conceptual framework for this research. The paper then moves to a case study comprising a spatial analysis of two groups of companies: the *Establishment* (the largest businesses in Canada) and the *Next Wave* (the fastest-growing Canadian businesses). Although the analysis of these two groups is for one time period only (2002), the research relates to the evolution of the Canadian space-economy by comparing the spatial distribution of current, dynamic growth (the Next Wave) with the location of past and current success (the Establishment). The paper attempts to use this analysis to build a greater understanding of the location of elite business activities in Canada.

## Conceptual Framework

The conceptual framework for this study falls within the literature of location analysis. Location analysis has developed a long and rich tradition of investigation into

actual and optimal business locations (Von Thünen 1826; Weber 1929; Lösch 1954). The present study finds a particular home within location analysis in the sub-area of quaternary location studies (Semple 1996, 1985; Holloway and Wheeler 1991; Rice 1996). The quaternary sector is part of a four-part conceptualization of the economy, with the four components being: primary (resource-based activities), secondary (manufacturing), tertiary (services), and quaternary (administration, decision-making, and high-level information processing).

Quaternary location research focuses on understanding the location and distribution of the people and groups responsible for setting the strategic direction of businesses, including decisions on expansion, contraction, intensification and distribution of corporate functions in both geographic and non-geographic dimensions. To do this, quaternary location researchers have focused on a number of different themes. Ground-breaking studies in the field focused on the headquarters community present in individual cities (Quante 1976) and in small numbers of selected cities (Pred 1977). Much recent work related to the location and interconnections of elite corporate functions has focused on a systems perspective, looking at relations among cities in national and international city systems (Meyer and Green 2003; O'Hagan and Green 2002; Semple and Rice 1994). While the present study focuses on the systems perspective, it is important to acknowledge that both local and system-wide studies of headquarters location activity are important in developing our understanding of the location of quaternary functions.

## Elements of Quaternary Location

Although the evolving literature on quaternary location has yet to construct a comprehensive location theory for quaternary business centres, research in the area has identified several factors that are important in shaping the distribution of quaternary business centres. Summarized below, these factors include the concepts of resource dependency, urban hierarchy, and evolution in the economy.

*The Resource Dependence Perspective* The resource dependence perspective, developed through business research in sociology, holds that all businesses have only partial control over their relationships with external organizations. Whether their external dependence comes

through suppliers, distributors, marketers, or the government, the perspective holds that all companies are affected by important parts of their environment that they cannot control directly. This circumstance makes the continued existence of any individual business uncertain. Change for the worse in external relationships with critical parts of the economic environment causes companies to suffer. To deal with this situation, corporations try to link in different ways with the parts of their external environment on which they are dependent for their existence (Pfeffer and Salancik 1978; Pfeffer 1987).

Resource dependence connects with quaternary location theory by conceptualizing the location of decision-makers in particular as a key connection between a company and its external environment (Rice 1996). A specific corporate headquarters location, such as Ford Canada's Oakville head office, forms a link between the company and the economic and social conditions in a particular city. With any headquarters location, the executives associated with the head office have close access to the executives associated with the headquarters and regional offices of other firms located in the same city (Green 1993). In addition, headquarters personnel have easy access to internal and external production, distribution, and retail facilities within the immediate metropolitan area. In Ford's case, executives based at the firm's Canadian head office are close to the company's production facilities, also based in Oakville, as well as to a wide range of suppliers, marketing firms, and other diverse business services within the broad metropolitan Toronto region. Such a close proximity facilitates planned and unplanned opportunities for Ford's executives to interact with external executives, consultants, and regulators of importance to the company's ongoing operations. Local, highly accessible elements of the firm's external environment may be conceived as less uncertain for the corporation, and thus better influenced or controlled, than elements located in other cities across the country. This concept has particular importance for the financial sector of the economy, with its extreme agglomeration of decision-makers in select cities in the international urban system (Klier and Testa 2002; Code 1991).<sup>1</sup> Other sectors and subsectors of the economy display similar, but less extreme, tendencies towards decision-making agglomeration (Klier and Testa 2002).

Although the application of resource dependency to quaternary location research has implications for headquarters and office location at the intra-metropolitan

scale, the principal view pursued here examines the inter-urban level. Following this city-systems perspective, production-oriented companies with few uncertainties in other areas of business would tend to locate their headquarters in cities where much of their production occurs. Likewise, market-oriented companies might be expected to locate their headquarters in a major market for their product or service, while companies with great needs for financing might locate in major banking cities. Such a perspective provides a means for conceptualizing important factors in the location of corporate headquarters.

*The Urban Hierarchy* The concept of hierarchy also plays an important role in quaternary location explanation. The fact that a select few cities contain a high proportion of all headquarters and related corporate activity is perhaps the single most important characteristic of headquarters location within a national economy (Klier and Testa 2002; Mitchelson and Wheeler 1994). While headquarters for individual industries may follow their own characteristic location pattern, the tendency for most headquarters in the economy as a whole is to follow a national hierarchy by grouping in certain common cities (Meyer and Green 2003; Semple 1996). It is possible that the headquarters and regional offices for a given industry may not locate according to such a national hierarchy because of the specific organizational and geographic constraints of the industry. These specific industrial hierarchies may assign a primary role to cities that are only regional centres in the context of the larger economy (Harper 1987). At the same time, national centres for the economy as a whole may be only minor players in this industrial hierarchy. However, regardless of the behaviour of decision-makers for individual industries, a national hierarchy of decision-making cities exists which closely parallels the location and distribution of many important external influences for the national economy and society as a whole (Klier and Testa 2002).

The urban hierarchy provides a constraint on the location of decision-makers within the national setting. The overwhelming tendency for many decision-makers to congregate in a small number of places constitutes one locational pull for the decision-makers of each industry. Decision-makers for any given industry may be drawn to the location of decision-makers for other, related industries. As decision-makers attempt to control important parts of their external environment, they locate

in major national and regional centres where they can contact decision-makers from other companies and industries.

The attraction of corporate headquarters to large population centres finds additional explanation in the seminal work of Pred (1977: 116-20). He postulates that the accumulation of decision-makers by large cities is a circular and cumulative feedback process, with an influential initial core of decision-makers creating conditions in a city which draws even more decision-makers to the city. Pred links this attraction to three primary factors present in large decision-making cities, namely, ease of *inter-organizational face-to-face contacts*, the availability of *specialized business services*, and high *inter-metropolitan accessibility*. Face-to-face contacts are particularly important in the case of the financial sector, an area of decision-making where trust and personal relationships are paramount (Code 1991).

Despite its insight into the process of headquarters location, such an explanation is only partial. If Pred's circular and cumulative model was the sole explanation for headquarters location, each large population centre would host important corporate headquarters, and cities which host decision-makers and headquarters at one time would not lose them later. From empirical studies of headquarters location, we know that these predictions do not hold true. Klier and Testa (2002), Rice (1996), and Holloway and Wheeler (1991), among others, have demonstrated at various times that cities both gain and lose key corporate headquarters.<sup>2</sup> Their studies also show us that some cities which are important from the point of view of population are not as consequential when considering corporate headquarters. However, despite these observations, the important point here is that a national hierarchy of headquarters cities endures throughout the changes experienced by any individual city or group of cities. At any given time, a few select cities continue to host decision-makers for a large proportion of the national economy.

The attraction of decision-makers to a small number of elite cities can be related to the previous discussion of resource dependency, with a focus on the unique characteristics of each city. Each headquarters city has a specific mix of decision-making, service, and manufacturing capabilities. At any one time, a few cities in particular might have an advantage over all others in drawing new headquarters to themselves by virtue of the composition and size of their business communities.

However, the local and national conditions that give these cities an advantage over all others at one time may change, shifting the focus to another centre or group of centres. Many existing headquarters may remain stationary, but the headquarters of new and emerging companies may shift away from the originally-dominant cities towards a location in a newly-dominant centre. Thus, the hierarchy of headquarters cities in particular should be visualized as a fluid entity, something that changes its spatial focus with change in the broader economic conditions of the country (Semple 1996).

*Evolutionary Concepts* Research into change in regional and national economies has provided a number of insights into the location of quaternary activities. One of the first attempts to connect the long-term evolution of a continental economy with the location and distribution of business headquarters was completed by Semple and Phipps (1982), and elaborated by Semple (1985). Their work combined empirical observations of the evolution of the United States' system of corporate headquarters cities with a model which attempts to account for the long-term evolution of quaternary place systems. In particular, the paper focused on decision-making centres in continentally-sized countries with extensive urban systems, an assumption fitting the model with the characteristics of the United States.

The Semple-Phipps model postulates a general process of headquarters city evolution for individual countries. This process features the emergence of a single, dominant national centre from an initial system of small centres connected to local economies across the country. The model also foresaw periods of further development, with the dominant national centre losing control to a series of developing major regional centres.

The Semple-Phipps stage idea provides one model of quaternary development. The model's specificity of prediction lends itself to empirical investigation at both the regional and national levels in the US, the country on which the model was based. In particular, its predictions of the emergence of regional corporate centres following a period of agglomeration in a national centre have provoked a number of studies investigating the model. These studies have found a broad degree of correspondence between the Semple-Phipps model and empirical findings of location trends for elite corporate activities in the US (Wheeler and Brown 1985; Holloway and Wheeler 1991). Other recent research indicates that

Canada and the US appear to differ in their location trends, as the US has been dispersing its quaternary activities over the last decades while Canada continues to concentrate its own headquarters and information links in a very few elite centres (Meyer 1996; Meyer and Green 2003; O'Hagan and Green 2002).

Despite the overall success of the Semple-Phipps model of development, geographers must assess the degree to which location theory based on this model actually serves to *explain* decision-making location. The Semple-Phipps model has proved to be of value through its predictions of the trends we might expect in the development of a system of headquarters cities in a large country like the US or Canada. However, the prediction of regularities in the development of systems of headquarters cities does not, in itself, comprise an explanation for the location of corporate headquarters. The Semple-Phipps model leaves unanswered a number of important questions relating to the headquarters location patterns which it postulates. What characteristics of the economy and society in general cause headquarters to concentrate in certain cities? What conditions lead to the dispersal of headquarters to small, regional centres? No one has provided satisfying answers to these questions to this point.

An important complement to the stage model of national economic evolution provided by Semple and Phipps (1982) is the concept of the evolution of individual industries. The evolution of industry works to change the very foundations of the urban hierarchy discussed previously. With the evolution of industries based primarily in specific regions of the country, the regions with which they are associated also evolve (Markusen 1985). As industries connected with certain regions grow in importance within the national economy, the national influence of these regions and their most important cities also increases. With the decline of these industries, regions and their cities also tend to decline. This decline may be arrested by the ingenuity of the leaders and decision-makers of the region in creating and attracting new, growing industries to take the place of those that have become obsolete. Some regions may be successful in this venture, while others may not. The long-term decline of a region and its cities translates into the gradual loss of corporate power for the region. The long-term growth of a region and its cities relative to the rest of the country eventually translates into a gradual shift of the national

urban hierarchy to accommodate a new source of economic power (Yeates 1985).<sup>3</sup>

Referring to the preceding evolutionary concepts, together with the concepts of resource dependency previously developed, we may conceptualize the emergence of the hierarchy of headquarters cities as being inextricably connected to the emergence of the larger economy. With the development of the industries comprising the economy, the system of headquarters cities administering this economy also develops. The foundational industries of the economy, such as agriculture, retailing, wholesaling, transportation, communications, insurance, and banking, emerge early in the development of the country. Each of these industries completes the earliest stages of their development in the formative years of the national economy. Because of their fundamental roles within the national economy, these industries see long periods of relative stability before any crisis can threaten their major organizational structures. Due to inertia, such industries may locate and maintain many of their headquarters for long periods in the cities that were important in the early years of the nation (Semple and Green 1983).

Taken together, the distinct contributions of resource dependency, urban hierarchy, and the evolutionary concepts discussed above provide a framework for the study of quaternary business centre location. It is this joint perspective that forms the basis for this paper. The following case study examines the current evolution of the Canadian system of business centres within the complex environment defined by each of the foregoing areas.

## Case Study

### Data

The business centre case study analyzes data from two distinct databases for 2002. The first database includes the largest companies in Canada, a group of businesses known collectively as the *Establishment* (Newman 1998, 1981, 1975). Information for this database comes from a variety of sources, including most prominently the annual publications of the *Financial Post* and *Dun & Bradstreet*. The *Financial Post* publishes an annual listing of the top resource, service, industrial, and financial companies in

Rank	Company Name	City	Revenues (\$'000s)	Sector	Subsector
1	General Motors of Canada Ltd.	Oshawa, ON	\$37,000,000	Manu.	Transport. Equip.
2	George Weston Ltd.	Toronto, ON	\$27,446,000	Service	Miscellaneous
3	Bombardier Inc.	Montreal, QC	\$23,664,900	Manu.	Transport. Equip.
4	Ford Motor Co. of Canada, Ltd.	Oakville, ON	\$23,328,700	Manu.	Transport. Equip.
5	Royal Bank of Canada	Montreal, QC	\$23,234,000	Financial	Bank
6	Sun Life Financial Services	Toronto, ON	\$23,101,000	Financial	Insurance
7	Onex Corp.	Toronto, ON	\$22,653,000	Service	Miscellaneous
8	Magna International Inc.	Aurora, ON	\$20,364,470	Manu.	Transport. Equip.
9	BCE Inc.	Montreal, QC	\$19,768,000	Service	Communication
10	Alcan Inc.	Montreal, QC	\$19,687,800	Resource	Mining

**Table 1: Ten Largest Businesses in Canada by Annual Revenues, 2002**

Canada by revenues. *Dun & Bradstreet* publishes an annual *Key Business Directory* listing the top several thousand companies in Canada with their sizes measured by revenues.

Tables 1 and 2 list the ten largest businesses in Canada for 2002, employing two alternate definitions of size: annual revenues (table 1) and number of employees (table 2). The businesses listed in these two tables represent the pinnacle of corporate power and achievement in Canada. The tables each represent two forms of concentration: *geographically*, as locations in and around Toronto and Montreal dominate both listings, and

sectorally, as in both tables certain sector-subsector combinations dominate. By revenues, four of the top ten companies fall in the transportation equipment manufacturing industry, accompanied by a selection of diversified service, financial, and resource businesses. By employees, the sectoral mix is slightly different but still reflective of concentration: two transportation service and two transportation equipment manufacturing firms, along with a mix of financial and service companies. As there is much overlap between the two definitions (tables 1 and 2 share five common members out of the top ten firms listed in each), for simplicity this study proceeds with a

Rank	Company Name	City	Employees	Sector	Subsector
1	George Weston Ltd.	Toronto, ON	139,000	Service	Diversified
2	Onex Corp.	Toronto, ON	98,000	Service	Diversified
3	Laidlaw Inc.	Burlington, ON	91,000	Service	Transportation
4	McDonald's of Canada Ltd.	Toronto, ON	77,000	Service	Food & Accommod.
5	Bombardier Inc.	Montreal, QC	75,000	Manu.	Transport. Equip.
6	Magna International Inc.	Aurora, ON	73,000	Manu.	Transport. Equip.
7	Hudson's Bay Co.	Toronto, ON	71,445	Service	Retail
8	BCE Inc.	Montreal, QC	66,266	Service	Communication
9	Canada Post Corp.	Ottawa, ON	65,767	Service	Transportation
10	Royal Bank of Canada	Montreal, QC	59,549	Financial	Bank

**Table 2: Ten Largest Businesses in Canada by Employees, 2002**

single, revenue-based definition of size for the remaining analysis of the Establishment group of businesses.

The second database includes the fastest-growing businesses in Canada for 2002, as measured by the single indicator of growth in annual revenues. The study calls these businesses *The Next Wave*, as these firms represent new economic growth in the country. Information for this database comes from *Profit Magazine's* annual listing of Canada's fastest growing companies. Growth is measured in percentage terms over a five year period, so the database used in the study reflects growth over the years 1997 to 2002. The database includes companies with a minimum of \$100,000 in annual revenues in 1997.

Table 3 lists the ten fastest-growing businesses from this database. Both geographically and sectorally, the ten fastest-growing companies display tendencies different from the large companies in tables 1 and 2. Where Toronto and Montreal dominate among regions in tables 1 and 2, the geographic orientation in table 3 is towards suburban Toronto, suburban Vancouver, the Victoria area, and Ottawa. *Electrical manufacturing* and *business services* represent key sector/subsector combinations among the fastest growing companies, in contrast to the *transportation equipment manufacturing* and *miscellaneous services* orientation of the largest companies.

Investigation of the characteristics of each database and the differences between the two databases forms the focus of the remainder of the paper. Much work has already been done into the location of the largest, most established businesses in the country. It is these businesses that have the most visible imprint on the landscape, through their branch and factory locations and through the near-ubiquitous use of many of their products and services across the country. However, it is fast-growing businesses, like the ones represented in the Profit Magazine database, that represent an important component of evolution in the economy. Although small companies like *Hydrogenics* or *Gram Precision* are not nearly as well known as *General Motors* or the *Royal Bank of Canada*, businesses such as these represent an important part of Canada's future economy. While it is not inevitable that rapidly-growing businesses such as these will lead the economy by becoming some of Canada's largest businesses in the future, the innovation that these businesses represent are central to tracking the evolution of the national economy. The location of these growing businesses, and how these emerging businesses compare to the established economy (spatially as well as sectorally), provides an indication of possible directions for

development in the national economy for the coming years.

## Analysis

The study analyzes the top 200 companies in both the Canadian Establishment (size measured by revenues) and the Next Wave (revenue growth rate) databases. Use of the top 200 companies in each facilitates comparison, as the Next Wave database includes 200 companies in total, while the Canadian Establishment database includes in excess of 800. Analysis of the top 200 companies in each allows for direct and simple comparison of calculated results between the two databases.

The focus of the analysis is on the location of companies in both databases. The study differs from much previous research by tracking business location by region across the country. Many previous studies have focused on the largest urban areas because of their obvious importance as hosts of most of the country's largest businesses. However, the focus on major centres like Toronto, Montreal, Calgary, and Vancouver has left some important factors under-examined. *First*, by treating a large metropolitan area like Toronto as a single unit, the analysis downplays the role and importance of suburban areas versus the central city. By breaking Toronto and other large urban areas into multiple regions, researchers can identify the key suburban areas that play a corporate role potentially rivaling those of the central cities of the country. *Second*, by focusing on individual cities across the country, research can miss groupings of neighbouring smaller centres that collectively form important groupings of business. By focusing the analysis on regions across the country, the study identifies strategic clusters of business that might otherwise escape detection under a traditional, large-city analysis.

This study uses Statistics Canada's *census division* concept to identify and track business locations by region across the country. A census division is a term Statistics Canada applies to areas established by provincial law which are intermediate geographic areas between local municipalities (such as towns and cities) and provinces. Depending on the province, census divisions may include counties, regional districts, regional municipalities, and other types of areas created by provincial legislation (Statistics Canada 1997). Use of census divisions in this

Rank	Company	City	Revenue Growth 1997-2002 (%)	Sector	Subsector
1	Hydrogenics Corp.	Mississauga, ON	16298	Manu.	Chemical
2	Extreme CCTV Inc.	Burnaby, BC	12735	Manu.	Electrical
3	DWL Inc.	Toronto, ON	12619	Service	Business Service
4	Gram Precision Inc.	Mississauga, ON	8755	Manu.	Electrical
5	Protus IP Solutions Inc.	Ottawa, ON	7577	Service	Business Service
6	Phonetime International Inc.	Mississauga, ON	7490	Service	Communication
7	Pearlite Display Products Ltd.	Burnaby, BC	4679	Manu.	Metal
8	Discovery Computers Canada	Richmond, BC	4349	Service	Retail
9	Carmanah Technologies Corp.	Victoria, BC	3669	Manu.	Electrical
10	ACD Systems International Inc.	Saanichton, BC	3442	Service	Miscellaneous

**Table 3: Ten Fastest-Growing Businesses in Canada, 2002**

Rank	Census Division Code	Census Division Name	Province	Number of Businesses	Census Division Population*
1	3520	Toronto	ON	53	2,481,494
2	2466	Montreal	QC	35	1,812,723
3	4806	Calgary Region	AB	23	1,021,060
4	5915	Vancouver District	BC	17	1,986,965
5	3521	Peel Region (Mississauga)	ON	13	988,948
6	4611	Winnipeg	MB	7	621,451
7.5	3506	Ottawa	ON	6	774,072
7.5	3519	York Region	ON	6	729,254
9.5	4811	Edmonton Region	AB	4	975,477
9.5	3524	Halton Region (Oakville)	ON	4	375,229

**Table 4: Ten Top Census Divisions for the Canadian Establishment, 2002**  
Statistics Canada 2001 Census of population

Rank	Census Division Code	Census Division Name	Province	Establishment Businesses per Million Population
1	1311	Carleton County	NB	36.79
2	4806	Calgary Region	AB	22.53
3	3520	Toronto	ON	21.35
4	1212	Pictou County	NS	21.29
5	2466	Montreal	QC	19.31
6	2424	Desjardins	QC	19.28
7	3521	Peel Region (Mississauga)	ON	13.14
8	2447	La Haute-Yamaska	QC	12.63
9	4711	Saskatoon Region	SK	12.62
10	1310	York County	NB	11.47

**Table 5: Ten Top Census Divisions in Canadian Establishment Businesses per Million Population, 2002**

Rank	Census Division Code	Census Division Name	Province	Number of Businesses	Census Division Population*
1	3520	Toronto	ON	31	2,481,494
2	5915	Vancouver District	BC	25	1,986,965
3.5	2466	Montreal	QC	19	1,812,723
3.5	3519	York Region	ON	19	729,254
5	3521	Peel Region (Mississauga)	ON	17	988,948
6	4806	Calgary Region	AB	14	1,021,060
7.5	3506	Ottawa	ON	10	774,072
7.5	3524	Halton Region (Oakville)	ON	10	375,229
9	5917	Capital District (Victoria)	BC	8	325,754

**Table 6: Ten Top Census Divisions for Next Wave Businesses, 2002**

Statistics Canada, 2001 Census of Population

research has the advantage of covering the entire country and of subdividing the country's two largest urban areas, Toronto and Montreal, into central city and suburban regions for more rigorous geographic investigation.

### Research Premise

Based on the conceptual framework previously outlined and the general summary data provided above, the study shifts to investigate the geographic relationship between Canada's largest, most established companies and the most rapidly growing companies in Canada. Although the Semple-Phipps conceptualization of spatial-economic evolution leaves open the question as to what causes headquarters location shifts, it quite correctly identifies spatial processes of concentration and dispersion as being important subjects for investigation. The degree of spatial concentration of key corporate activities by region and city provides a key indicator of the state of the country's economy.

This research studies the evolution of the Canadian economy by investigating the spatial distribution of firms in both the large company and fastest-growing databases.

Rank	Census Division Code	Census Division Name	Province	Next Wave Businesses/ Million Population
1	2445	Mirabel	QC	73.18
2	3524	Halton Region (Oakville)	ON	26.65
3	3519	York Region	ON	26.05
4	5917	Capital District (Victoria)	BC	24.56
5	2445	Memphremagog	QC	23.88
6	2493	Lac-Saint-Jean Est	QC	19.32
7	3521	Peel Region (Mississauga)	ON	17.19
8	3523	Wellington County	ON	16.02
9	3538	Lambton County (Sarnia)	ON	15.75
10	4813	Athabasca Region	AB	15.63

Sources: Profit Magazine, 2003; Statistics Canada, 2002

**Table 7: Ten Top Census Divisions in Next Wave Businesses per Million Population, 2002**

The paper investigates the premise that, while the Canadian economy is more highly concentrated relative to

its US counterpart, new growth in Canadian business is more widely dispersed than the larger, more established component of the Canadian economy. Such growth and dispersal, if linked to the development of new types of industry, has the potential to shift the distribution of corporate power for the Canadian economy as a whole over time.

### The Canadian Establishment Analysis

Table 4 represents the top ten census divisions in Canada in terms of large businesses. The table reflects the business activity away from the largest city centres, these fast-growing companies are not acting to disperse business activity to the regions of the country. If anything, the emerging industries of the Canadian economy appear to be acting to create greater concentration of business activity in the expanding metropolitan areas surrounding the country's elite cities.

### Discussion and Conclusion

This investigation has highlighted differences in the spatial distributions of two distinct kinds of businesses in Canada: those that are large and established, and those that are rapidly-growing. The study investigates the decentralization of economic activity and power in Canada by comparing the spatial distributions of the two kinds of firms. Although the comparison is made for one time period only, the analysis of the two distinct kinds of firms provides insight into the evolution of Canada's space-economy, as the location of rapid growth provides one indicator as to potential shifts in the focus of development for the economy as a whole.

**Table 8: Summary of the Establishment and Next Wave Databases, 2002**

Place	Top 200 Establishment Companies	Top 200 Next Wave Companies
Toronto	53	31
Montreal	35	19
<i>Toronto/Montreal Subtotal</i>	<i>88</i>	<i>50</i>
Other Southern Ontario/Quebec	50	83
<i>Southern Ontario/Quebec Subtotal</i>	<i>138</i>	<i>133</i>
Alberta/British Columbia	45	60
Remainder of Country	17	7

The dispersion statistics presented in this research show that Next Wave companies are more dispersed than their large Canadian Establishment counterparts at the census division level. This indicates that decentralization away from the traditional business centres of the Establishment is inherent in the spatial behaviour of the relatively young and innovative companies of the Next Wave. However, maps specifying the actual locations of these rapidly-growing firms provide a key counterpoint to the quantitative results. The maps show that the Next Wave is indeed spatially dispersed, but this dispersion relates largely to locations in census divisions around the urban cores of Toronto and Montreal.<sup>5</sup> Very little of this spatial dispersion relates to Next Wave locations in regions with low numbers of Establishment firms, such as Saskatchewan and Atlantic Canada. In evolutionary terms, the results indicate that Canada's Next Wave holds little promise as a mechanism for the dispersal of economic opportunity to the regions of the country.

At the same time, large companies are actually more decentralized than rapidly-growing companies when examined at the provincial level of analysis. Ontario's dominance as a business location among the provinces exemplifies this difference: the province hosts 95 out of the 200 largest businesses, versus 105 of the 200 fastest-growing firms. The contrast in dispersion statistics at the provincial and census division levels suggests that the largest urban regions are maintaining and strengthening their hold on Canadian business activity, even as the fastest-growing firms shift the focus of new development to surrounding suburban regions from expensive and congested central city locations.

A pair of inter-linked observations provides the only evidence that the analysis suggests any spatial shift in development focus other than urban-suburban. First, the prominence of the Capital District of British Columbia as host of fast-growing business (8 firms) is an impressive result which increases in importance when considered in combination with its showing among Canada's largest businesses (0 firms). Second, British Columbia as a whole performs especially well in the fast-growing firm analysis, as the province hosts 36 of the 200 fastest-growing firms versus only 18 of the 200 largest businesses. These findings suggest that Victoria and British Columbia may well be positioned for a rise in prominence within the national economy in the years ahead.

Beyond the identification of research questions related to British Columbia, the study suggests that more research is needed with regards to the location of elite corporate activities, as well as the geographic orientation of economic development in general. As suggested by the resource dependence perspective, further research needs to be undertaken to investigate the relationship between high order activities such as corporate headquarters and other elements of economic development and success. This study has focused on *what* is happening in Canada's stem of headquarters cities; what is needed is more understanding of *why* these patterns are developing as they are.

Reference to the paper's conceptual framework provides guidance as to directions for further research into the factors that generate the spatial patterns observed here. Application of the resource dependence perspective to the results of this research suggests that variations in the external environment of business should be among the most important factors in explaining the location behaviour of the firms in this study. What elements of the business environment are central to the attraction of Next Wave headquarters to the suburbs of Toronto and Montreal? What elements of the environment are crucial to the headquarters function of the Establishment firms, so many of which congregate in downtown Toronto and Montreal? From a regional economic development perspective, would it be possible to replicate any of these conditions in smaller metropolitan areas in, for example, the Prairie and Atlantic regions of the country? With reference to the hierarchical and evolutionary factors cited in the conceptual framework, might it be possible to identify specific types of firms and industries that, due to their position in their industry life cycle, can benefit from

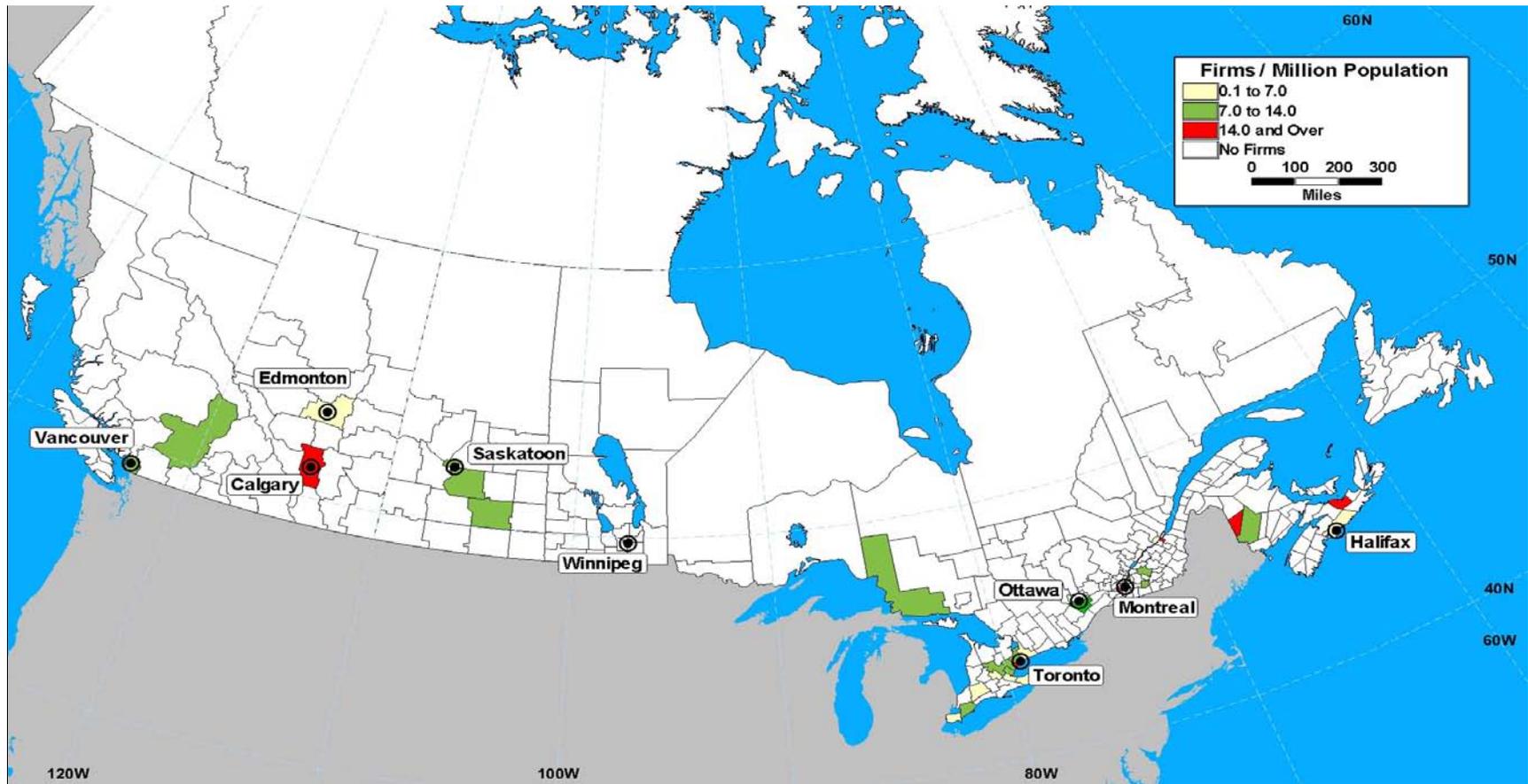


Figure 1a Establishment Firms per Million Population Canada

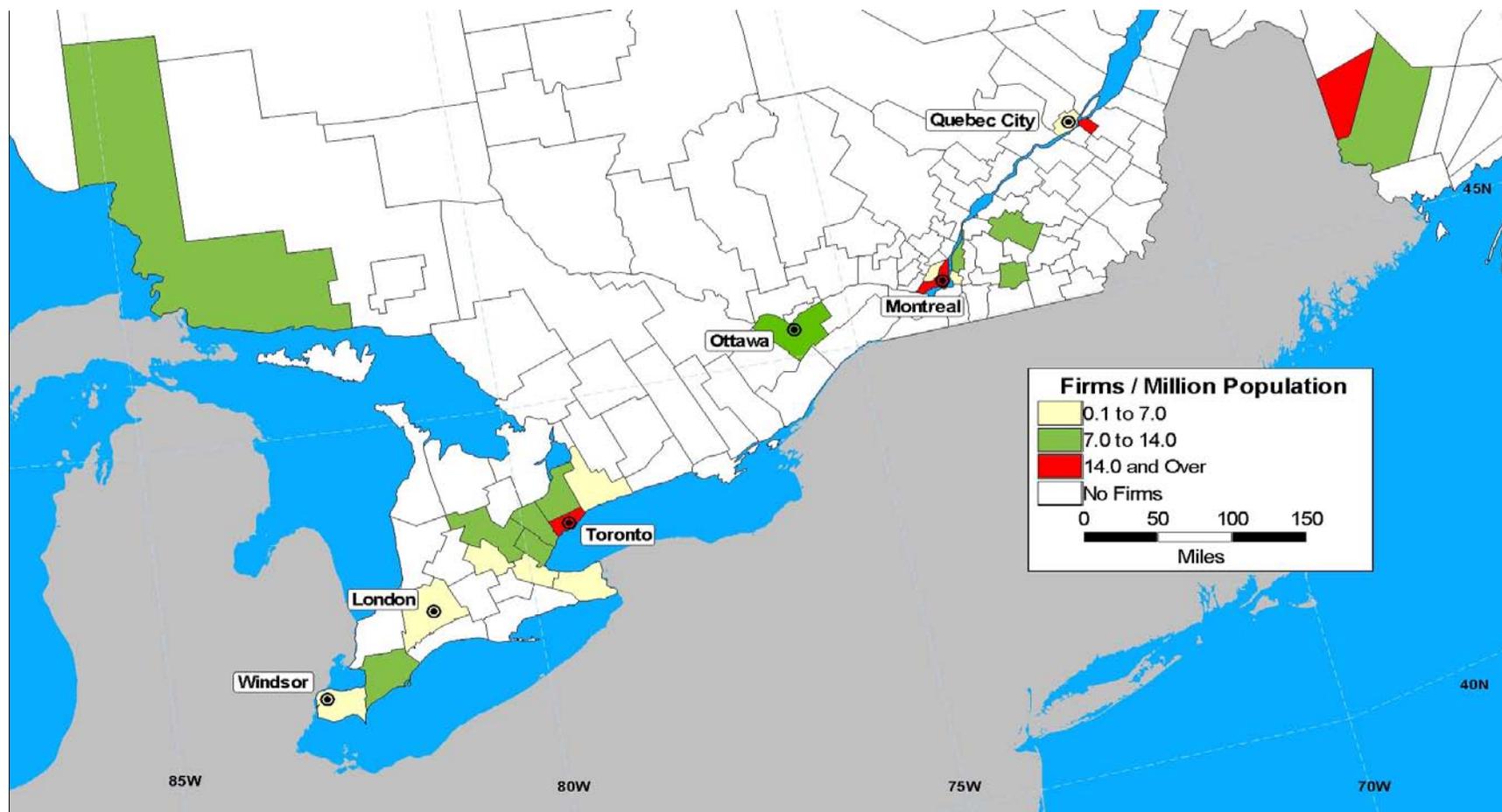


Figure 1b: Establishment Firms per million Population Canadian Core



Figure 2a New Wave Firms per Million Population Canada

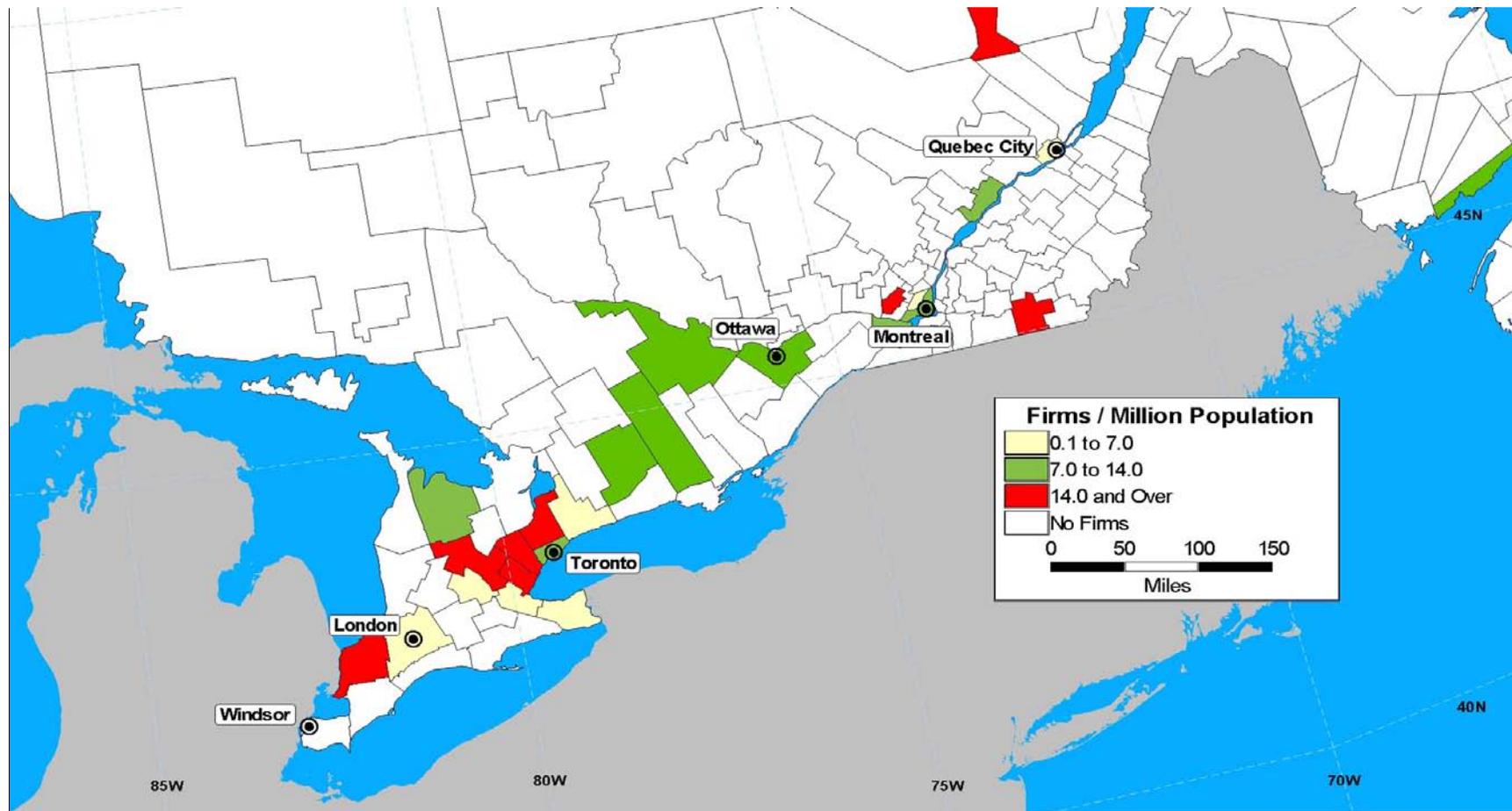


Figure 2b New Wave Firms per Million Population Canadian Core

shifting their headquarters personnel to regional and smaller metropolitan area locations?<sup>6</sup> Research is needed to better understand the locational requirements and pulls on head offices, and how such knowledge can be used to promote the regional growth of the elite, information-based economic activities represented by corporate headquarters. Advancement in our knowledge of connections between firms and economic activities, and in our conceptualization of the geographic structure of the business environment, has the potential to play a key role in helping Canada reduce the regional economic disparities that have characterized the nation for so many decades.

## End Notes

1 Another example of a headquarters location providing close access to important elements of the firm's *external business environment* would be the downtown Toronto head office of the Canadian Imperial Bank of Commerce (the same could be said of any of the other major financial institutions with head offices nearby). Such a location provides high accessibility to many of the bank's most significant corporate clients, as well as important institutions such as the Toronto Stock Exchange and the Ontario Securities Commission. On the other hand, a good example of strategic headquarters location for close access to *internal corporate facilities* would be Federal Express' Memphis head office, near its distribution hub for the continental US. This headquarters location does not feature close proximity to the firm's major clients.

2 Examples of head office relocations that are arguably reflective of fundamental social and economic shifts in Canada include Sun Life (Montreal to Toronto), Canada Safeway (Winnipeg to Calgary), and the recently-announced move of Imperial Oil (Toronto to Calgary).

3 This discussion of shifting regional fortunes based on macroeconomic change applies most directly to the case of large firms primarily concentrated in a single line of business, such as Intel and Microsoft in microprocessors and software, or Wal-Mart and Home Depot in retail. Diversified conglomerates involved in many industries, such as Onex and Power Corporation, present a more complex set of impacts that go beyond the discussion presented here.

4 Explanation of the placement of British Columbia's Capital District (Victoria) on this list requires further investigation. While some of the other smaller regions identified here gain their prominence because of a combination of small population and a single Next Wave business, the Capital District has a population of over 300,000 and eight Next Wave firms, indicating something beyond mere coincidence. However, given that Victoria has a local economy dominated by government, and that the leading businesses currently based in the city are crown corporations, the Capital District is a most unlikely centre of Next Wave growth. Research into the clustering of Next Wave development in such an unusual setting might make for an interesting addition to the literature of regional economic development and business location.

5 Since Vancouver, Calgary, Edmonton, and other smaller metropolitan areas are all included entirely within one census division, the results presented here do not allow for a comparison of the extent of Next Wave suburbanization in these regional centres relative to Next Wave suburbanization in Toronto and Montreal. However, given the prominence of Burnaby and Richmond addresses among the country's top Next Wave firms (table 2), it is likely that Vancouver also sees a substantial suburbanization of Next Wave activity. A logical progression in this area of research would be to investigate Next Wave business location in all major Canadian metropolitan areas using finer levels of geographic analysis (such as census subdivisions or census tracts).

6 The relocation of Imperial Oil from Toronto to Calgary, attributed in the news media to operational efficiency and cost-cutting considerations (Kirby and Cattaneo 2004), is a prime example.

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