

MONEY: ENDS AND TRENDS

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The Rise of the Global Titans — Part II

We began our examination of the modern day phenomenon of multi-national corporations in last month's issue of *Midnight Call*. We discovered that influence of global titans touches every one of us in many more ways than may be obvious — popular name brands of products, lifestyles, employment, investments. MNCs are also changing the face of industry, finance and the workplace around the world. Most dramatically, their rapid rise has led to an enormous change in the power structure of the world as well as world-wide convergence towards materialistic values. Observed over human history, the emergence of the MNC on the world scene is so abrupt it begs the question: Does the MNC have any prophetic significance? Should Christians be alerted to encroaching challenges to faith and freedom? In the last question we already concluded that these large globe-spanning companies are both a catalyst and a result of many prophesied endtime trends. And, yes, Christians should be alerted. We continue our examination.

Feeding Hungry Elephants

Almost all MNCs are publicly-owned companies ... in other words, firms whose shares are publicly listed and traded on a stock exchange. The prices of these shares are determined daily by buyers and sellers. Therefore, an important barometer of a company's performance — some would argue the only barometer — is the trend of its share price. Everything, no matter whether good or bad, right or wrong, is distilled down into this one single statistic in our modern financial culture. If a stock value goes up, no matter why or how, it is considered good and company executives will be applauded. If the share price goes down, no matter the company's virtues or long-term stability, it's viewed very unfavorably. The top manager of a company with a poorly performing stock price will soon fall into disfavor. In fact, it is likely that these corporate bosses will be dumped overboard before long. Surveys show that the employment turnover of senior executives is rising sharply. Increasingly they are seen as hired guns — in some cases even called "hatchet men." The character traits of these senior executives that the search committees and head hunters seek hardly make for decent human beings. They promote a barbarous culture in business. Observing this trend, Sumantra Ghoshal and Simon Caulkin of the London Business School write:

"The dehumanization of work is not a new complaint. What is new is the enormous pressure being created within companies, propelled by a powerful dynamic of competition and reward among investing institutions and corporate managers. This pressure has placed an unprecedented premium on executives who are unreasonable people, ambitious and determined enough to go to extraordinary lengths to fulfill their mission to capital markets. They put it above everything else [and] are individually celebrated in the business press. The composite of today's ideal business leader: hard-driving, decisive, ruthless, heroic, independent, male."

Given the brutal tactics that many senior executives undertake in order to boost their company's stock price it is not surprising that global titans are revolutionizing the workplace and broader society. Whether indiscriminately firing workers, introducing creative accounting techniques, merging or dismembering other firms or cutting charitable donations, their actions have many secondary consequences. What about rising employee anxiety and mental stress? It's unavoidable, they will say. Consider the

distressed families as employees labor overtime and under heavy performance pressures? Yes, but think of the monetary reward that employees will enjoy. How about a duty to broader society? Even during the good times, corporate donations have continued to sink.¹ About three-quarters of U.S. companies give no money at all. Our duty is to the shareholder first they will say.

Without a doubt, the rapid rise of the MNC has raised the level of stress and insecurity in the lives of more and more people and families. This tests the faith of even the strongest from time to time. Will we have a job tomorrow? Will my company be taken over and reorganized? We see that in their frenetic pursuit of “shareholder capitalism” MNCs degrade the value of human existence and security. Jobs and careers are nothing more than an economic quantity, to be figured and parlayed into higher share prices. The psychological and social consequences upon individuals, families and society are not counted. In that sense, MNCs may contribute to the stressful conditions predicted for an endtime world.

Actions and attitudes such as illustrated are seen as necessary sacrifices to the god of the “rising share price.” Portfolio managers will tend to agree with this view and so do many mutual fund investors — the very same people who possibly may be stressed by the volatility of their workplace. They may not realize that the tactics promoted by “shareholder capitalism” actually destroy the foundations of a stable society and eventually may even cost them their jobs. Of course, the value of their stock portfolio may be boosted for a time.

Impact on Faith and Freedom

MNC's may also constrain the personal freedoms of Christians to live out their moral, Biblical values. How so? Recall the role of the stock price in evaluating the performance of senior executives. The same principle is applied to the entire workforce. If a higher share price and higher profits alone defines what is good, then in a highly incentivized system such as this — one highly sensitized to money and financial wealth — any action that achieves this outcome will eventually be seen as right. It doesn't matter that deception or fraud may be involved. The “buck” — as many of them as possible — is what determines morality. The ultimate end — a higher stock price, increased profits or market share — provides justification for most actions. Dissenters to this regime are quickly dispensed with. If a worker protests the morality of a certain action, they stand to be quickly side-lined or marginalized if it impacts profits. They will not be likely candidates for promotion ... certainly not a large year-end bonus. People who work in the pressurized work environments of MNCs, particularly in management positions, will readily agree with these statements.

Publicly, the modern corporation is usually portrayed as a benevolent employer and contributor to society. They are subtle practitioners of tolerance. Most all MNCs choose not to make any moral distinctions between different lifestyles, sinful practices or beliefs as long as they are profitable. For example, the homosexual lifestyle is increasingly venerated by many businesses as market research shows them to be a highly lucrative target market for some of their products and services. Opposing homosexuality therefore is harmful for business and makes for bad personnel policy. Employees may grumble silently. But any vocal disapproval about such developments will likely result in reprisal ... certainly not reward. Forget being promoted if you protest the corporation's endorsement of immoral practice

Swimming Against a Tide of Bad Values

The typical corporate environment therefore these days therefore makes it very difficult to escape complicity with its definitions of materialistic and humanistic values. Godliness and contentedness are not qualities that find great reward here. In direct opposition, compensation systems are increasingly incentivized. A greater proportion of worker's pay is now variable — in other words dependent upon performance and overall corporate results. (Bonuses and commissions are some of the forms of variable pay.) A fixed-salary or wage may often represent less than half the value of total compensation for many professions. But the most effective device transforming corporate incentive systems is the employee stock option. These confer rights to its holder (the employee or executive) to purchase a company's stock at a fixed price in the future. If the company's share price soars above this level, employees can exercise these options — buying the stock at a favorable price — then pocketing the difference as they sell them in the open marketplace. Where a little more than a decade ago only 12% of the top 500 companies in the US provided these options to their entire workforce, today more than half do so. According to the Internal Revenue Agency, \$100s of billions are earned by employees in this way every year. Virtually all senior executive are incented and muzzled with these compensation carrots ... sometimes heavily so.ⁱⁱ \$100 million dollar plus pay-offs are hardly uncommon. As such, executives will be loathe to do anything — whether right or wrong — to lower the value of these options. The reality is that such heavy incentives make falsehood and manipulation very lucrative.

What should be the position of the Christian? Of course, variable compensation should not bend our views on moral action. Yet, for those of us who must work under these conditions, we live with the constant temptation of temporal, materialistic pressures virtually every day. As a result, an increasing number of Christians are falling into complicity with this state of corporate values. On the other hand, if they do succeed in warding off these temptations they may risk falling out of a job.

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ⁱ Even while corporate profits are purported to have risen over the past decade, evidence shows the corporations have become less generous. In the U.S., the Committee to Encourage Corporate Philanthropy determined that there has been a decline in the percentage of profits companies are prepared to give. In Canada, figures produce by Canada Customs and Revenues indicate that the number of corporations making charitable donations has barely budged in ten years.

ⁱⁱ According to a paper by Brian Hall of Harvard Business School and Kevin Murphy of the University of Southern California, in 1998, 97 per cent of the companies in the Standard & Poor's 500 index granted options to their top executives, up from 82% in 1992. Stock options accounted for 40% of total pay for the chief executive officers of these companies.