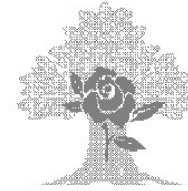


Advance of the Global Titans



A New World Power

Has a global titan rumbled or roared at you lately? Are businesses in your neighborhood being uprooted because of corporate decisions made at some distant headquarters? Perhaps, a relative or an acquaintance has been affected by a corporate merger or a “downsizing” No doubt, there isn’t a family in North America anywhere that hasn’t experienced some fall-out from the heated turf wars between these global corporate leviathans in one way or another. In their frenzied rush to boost profits (real or fictitious), feed the insatiable demands of stockholders, or conquer world industry domains, many bewildered and innocent bystanders have been mulched under the steel treads of their global assault machinery.

What do I mean by “global titans”? I am referring to a group of large, earth-spanning companies. They are often referred to as multi-national corporations (MNCs) or transnational corporations (TNCs). Whatever their name, the emergence of this commercial group as a powerful and influential world force has been amazingly rapid these past few decades. In fact, the “global titan” is a phenomena that has really only swept the world in recent history ... mainly since the last world war. Prior to that time they hardly existed. Since then, they’ve become a force that “*dissolve[s] the power of the state as they advance global capitalism ... even hard to tell which country some global companies call home.*”¹ To be sure, there have been large global organizations dating back hundreds of years. The Roman Catholic Church was probably the first transnational organization. Even so, the emergent dominance of this corporate culture both domestically and around the world is a surprisingly recent phenomenon. In fact, the rise of corporate power may even be prophetically prefigured in the Bible. In this article we want to examine this provocative theory more closely.

Global titans are extremely influential in our world today. Some even argue that MNCs as a group are now the most powerful force on the globe. There is little doubt that they play an inordinately large role in defining the popular values and ethics of our culture and the workplace for most workers today. They are the hotbed of globalization — the single biggest agent of global convergence and centralization operating on the globe. Quoting the Economist magazine, “*There is no doubting that multinationals matter. They are one of the main conduits through which globalization takes place.*”² If this is all true, then it behooves

¹ Global Finance magazine.

² The Economist, November 22, 1997, Schools Brief column entitled Worldbeaters, Inc.

us to understand what makes them tick, what motivates their actions, and to discover what type of people run them. Every Christian seeking to understand the times will want to know the answers to these questions.

MNCs are large and pervasive. They now commandeer a significant portion of the entire world economy, virtually controlling the arena of commerce on earth. The 100 biggest transnational corporations (TNCs³) in the world today may account for as much as 7% of total world economic activity.⁴ All 60,000 TNCs together are estimated to contribute greater between 25% and 45% of world economic activity.⁵ The foreign portion of their sales — growing leaps and bounds faster than their domestic sales — now represent almost half of the total revenue of the top 100 TNCs. Overall, total foreign sales (meaning domestic sales of foreign companies owned by all TNCs) now far exceed total world export and import volumes.⁶ This is an astounding development considering that MNCs accounted for little more than 3% of world economic activity in the early 1950s.

And still, the global titans are getting even bigger. In the process, they are changing the face of industry and work around the world. These firms gobble up others, merge or build new companies at a rapid pace. In recent years, these activities have boomed to frenzied levels. \$100 billion plus take-over deals have become the norm. In 1999, corporations participated in international financial transactions — either acquiring or merging with a foreign firm — totaling \$3.4 trillion⁷. That's up by many multiples from levels just 5 and 10 years ago.

With their vast global reach, transnational companies transcend the restrictions of borders and the controls of individual sovereign nations. These firms can choose to shift production from country to country, seeking better taxation climates and labor markets. They possess the economic power that can make or break individual national economies, especially so smaller, developing countries. Yet, virtually all governments clamor after these big companies, hoping to attract them to build their factories in their tax-paying districts; to employ their voting constituents.

These global titans are very visible in the financial markets and the marketplace. Their shares tend to be held by most pension funds or large investors. Investors seeking global diversification in their portfolios — IRAS, pensions or savings funds — buy them. Therefore, much of the financial world concentrates its attention on this relatively small number of companies. Many of them have consumer brands that are recognized almost everywhere. Their names will be familiar to all of us — IBM, General Motors, Microsoft, Nokia, Daimler-Chrysler, Coca Cola, MacDonalds, Toyota, Nestle, Royal Dutch Shell, to name a few. As might be guessed, these larger companies account for an increasing share of the value of global stock markets. A host of surveys and data sources track their financial

³ TNCs are the same as multi-national corporations (MNCs.)

⁴ The World Investment Report of 1999: Foreign Direct Investment and the Challenge of Development. Source: United Nations Council on Trade and Development. The report assumes that the value-added contribution of these companies to world gross domestic products amounts to between 30 and 50% of their revenues.

⁵ Measured in terms of Gross Domestic Product (GDP).

⁶ The Global The Unctad survey (381 pages of tables and statistics) is a treasure load of evidence detailing how corporate expansion around the world is the leading force of globalization. Sparing readers the details, suffice it to say that TNCs are growing much faster than the world economic growth rate overall.

⁷ Source: Thomson Financial Securities Data.

progress and stock market performance. Recently, the introduction of a number of stock market indices has served to concentrate the focus of investors upon these global titans even more.⁸ Amazingly, the top 100 MNCs account for approximately half of the entire world stock market value, indicating just how concentrated and gigantic this business segment has become.

U.S. companies have had a dominant influence upon the rise of MNC power in the past decade. Though only 40% of the world's multinational companies find their headquarters in the United States, it is these that tend to define the business practices and momentum of MNCs overall. In a recent Financial Times/PWC survey, of the 50 top-ranked companies in the world, 28 were headquartered in America.⁹

The influence of Global Titans touches every one of us in many more ways than may be obvious — brands, lifestyles, employment, investments ... etc.. Not only do they shape today's world of financial markets and economies, they also drive a convergence in the area of business practices and society's values. If that is the case, we need to know what drives these corporate titans and their captains. What are the deep-seated motives that propel them forward, define their merciless conduct, and drive their pursuit of "bigness" and global dominion? Such goals must be fanned by some desire or purpose. Observing the behavior of the senior executives of these companies, it is obvious that peace and contentedness¹⁰ isn't highly prized.

The answers to our question can be found at the top ... in the mahogany row offices of corporate executives, in other words. There we discover the root causes of the rapacious thrust of these global titans — a potent brew of people, the narcotic of money, power and position. The scions of the big corporations are often hooked on these — a testament to the triumph of ego. Yet, they serve a tough master — the world's financial system and its major "makers and shakers."

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. If a stock value goes up, no matter why or how, it's good and company managers will be applauded. If it goes down, no matter the company's virtues or long-term stability, it's bad. The top executives of a company with a poorly performing stock price will soon fall into disfavor. In fact, it's likely that these corporate bosses will be dumped overboard before long. Without a doubt, success today is gauged by stock prices and little else.

⁸ In July of 1999, Dow-Jones introduced the Dow Jones Global Titans index which comprises the shares of the world's 50 biggest multinational companies. Others soon followed. FTSE International, Barclays Global Investors, Bacon & Woodrow launched the FTSE Multinationals Index Series. In February of 2000, Standard & Poors unveiled its S&P Global 100 Index. No longer is the home country of these MNCs of any significance to investors. This is an important development in the globalization of world economies and further reinforces the accelerating supremacy and commercial power of these companies. Some of these companies individually account for greater than a third of the value of their home-country stock markets.

⁹ Financial Times/ PricewaterhouseCooper's annual survey, World's Most Respected Companies. The most recent results were published in the Financial Times on December 7, 1999.

¹⁰ Peace and contentedness, on the other hand, should characterize the live of a Christian. "[...] *God has called us to live in peace*" (1 Corinthians 7:15). "*But godliness with contentment is great gain*" (1 Timothy 6:6).

But how is that the world has come to the point where it chooses to define what is good solely by price? Because many of the world societies have given themselves over to the pursuit of gain and increase. Should investors not approve of what senior company managements are doing or disapprove of a company's profit performance, its shares will be unceremoniously dumped in short order. Even one quarter of earnings results that are below expectations will cause the exodus of legions of investors and in the process, possibly collapsing a company's share price. Investors, whether individuals or professionals, have little patience. They want to make money as quickly as possible and have little tolerance for falling share prices. Therefore, they will only invest in those companies that they believe can produce the necessary conditions for a rising stock price. In the world of financial markets, after all, the highest goal is exactly that — a rising financial value. This wouldn't be so bad if this motivational criteria wasn't so over-simplified. Executives with the freedom and commitment to serve the common good of society with some independence, may decide that a higher share price is not always good or right. Boosting corporate earnings at the expense of the environment or through financial falsehood would not be seen as an acceptable trade-off. However, the simplistic measure of maximizing shareholder value becomes a disastrous thing when it becomes the accepted pursuit of society overall. The accumulation of wealth becomes the most cherished goal of all — greater even than any other moral or eternal value. What happens then is that the fortunes of temporal wealth become the sole determinant of what is good.

It is true that today's financial markets are structured in such a way that there is little incentive for moral consideration, let alone patience or a long-term perspective. Even large investors are not insulated from this moral sewer despite the fact that they may commandeer multi-billions in capital. Though it is true that the vast majority of financial capital markets (both equities and bonds) are controlled or managed by a very small circle of professionals (including mutual fund and pension fund managers, large corporations, the ultra-rich, professional traders ... etc.). They have little opportunity to play a different game as they still must answer to mutual fund shareholders or the companies that they work for. It is therefore a viciously competitive environment for these stewards of wealth, whether they are managing their own money or that of others. The spoils of financial gain goes to the quickest and the most opportune, not necessarily the longsuffering and the most principled investors. They must seek to invest in the fastest rising stocks and bonds. If they do not, they will be out of business or lose their jobs.

In truth, the senior managements of these large multi-national corporations are not solely responsible for the corporate behavioral traits of the large titans. It's the values endorsed by the world of investors and its financial system that encourages these senior managers in their thrusts and lusts. To appease these faceless investors, executives must produce rising share prices. How they achieve this result is a lesser concern. Therefore, the gains are more important than the means. That growing reality in recent decades has transformed the world of business and the kind of business people that it attracts. Enormous pressure is being created in the corporate world due to a powerful culture of competition and reward among investors and corporate managers. The result? The most successful executives in this environment often make for very sad human beings. Brutality is rewarded and idolized. Decent people are not considered eligible for these senior positions as they do not possess the required ruthlessness. Says one consultant, "*Management today suffers from a profound*

moral and philosophical vacuum."¹¹ With this license, executives pursue profit growth and global dominance. One of the quickest ways to boost profits is to acquire other companies and then to rationalize costs. Other techniques are to build dominant positions in various industries, achieving various advantages that can be translated into higher earnings and therefore stock prices. Workers and their families are often the casualties. Thousands are laid off or retired. In the pursuit of wealth, the quality of life and the stability of society overall is pillaged. Though periods of soaring financial markets and economic bubbles can camouflage much of this damage, it will become starkly evident in time. The next economic and financial downturn will surely lay bare the shallowness and deceit of these naked pursuits of wealth.

Business executives have a huge incentive to become ruthless and cutthroat, to rape the economic landscape in the name of wealth creation for their shareholders. Their compensation packages drive them to do so. This last decade has seen a virtual revolution in corporate executive pay practices. Two trends have occurred: Firstly, executive pay levels have exploded relative to average labor wages; and secondly, a greater linkage in the pay packets of executives to their company's stock price performance. Taken together, senior corporate executives face almost unbearable pressure to manage to the share price ... in other words, to serve the insatiable demands of greed, both their own and shareholders. In my opinion, very few people can stand unaffected under the intensity of this type of incentive pressure ... even if they so wanted. Not many executives are able to voluntarily escape the grip of this performance treadmill. The lure of high compensation, position and power is too strong. It's an intoxicating mix that's hard to break from "cold turkey" ... at least until the first heart attack strikes.

Executive compensation has boomed versus average wage levels. The average chief executive officer (CEO) in the U.S. earned total compensation of \$9.4 million in 1999 according to one survey¹². That's over 300 times more than the average salary of a factory worker. A similar situation is found internationally. The compensation of senior executives leaps ahead while general pay levels are relatively stagnant. While the average salary and bonus for chief executives rose greater than 25% per annum in recent years, the average salary gain for the broader labor force in the US was on the order of 3%. Of course, keeping a screw on wages is just one of the ways of boosting corporate fortunes, a technique that results in high performance rewards for these senior executives.¹³ The same general phenomenon is true in some other countries.

A major contributing reason to the boom of executive pay levels is the heavy use of corporate stock options.¹⁴ Their use has mushroomed in the past ten years, accounting for

¹¹ Sumantra Ghoshal, London Business School. Financial Times November 19, 1998.

¹² Pearl Meyer and Partners survey, 2000. Source. Global Finance magazine.

¹³ A study in 1997 by the Institute for Policy Studies even went so far as to suggest that chief executives at big U.S. companies are rewarded for dismissing employees. The study found a mild connection suggesting that the executives of the 30 firms with the largest amount of layoffs earned mildly higher pay increases than the average pay rise experienced at all 365 firms in the sample.

¹⁴ Employee stock options grant the right to buy company shares at a set price over a period of time, usually several years ahead. If the shares soar in value, executives can then elect to exercise their options (buy the company's shares at the fixed price set years ago) and then sell them for the higher price. Bull markets have made this a lucrative form of compensation. The U.S. is the world leader in this practice. The trend is growing in other countries, too. Options packages now constitute 15% of executive pay in France and 16% in Great Britain.

more than 50% of executive compensation in recent years. It's this compensation device that motivates much of corporate behavior these days. Company leaders can make many tens of millions — even hundreds of millions — if their company share price can be made to vault upward by catering to the greed of investors.

Seeing the wonderful inflationary impact on share prices by granting stock options to senior managers, many companies are extending them to all employees. According to a survey by Sharedata, 45% of all companies with more than 5,000 employees now extend this benefit to all workers. That's up sharply from only 10% of all companies three years ago.

The culture of greed is running rampant in pay practices. Little wonder then that the use of employee stock options has been severely abused. With them, many companies have artificially inflated their reported earnings. According to various analysts, earnings of major U.S. companies are overstated by at least 25% due to improper accounting for employee stock options. I actually think that earnings exaggeration is much more serious ... perhaps 50% and more. Warren Buffet, the mega-billionaire investor, decries this practice as well, saying: "*earnings [...] have been overstated because [...] of accounting practice ignoring the cost to a business of issuing options.*" But this is not the only cause of overstated earnings. I would need to write another book just to explain the many techniques that are employed by publicly-listed companies to falsely boost earnings. Despite the fact that corporate financial statements are vetted by public accountants, there is plenty of room for creative accounting.

An interesting and connected phenomenon is the extent of the rises in the compensation of financial executives. They are now the world's rainmakers, so it seems. Total remuneration of the top chief financial officers has surged in recent years. One survey estimates their average remuneration of \$2.3 million in 1999.¹⁵ That's big bucks for accountants ... for anybody. The stock option portion of this compensation accounted for approximately half. It's only fitting that the financial managers get a big piece of the booty that comes from the financial mania that's largely driven by a numbers game. In this heated environment, the pressure to boost reported corporate earnings is high. After all, higher reported earnings will boost the share price, and, of course, the value of employee stock options. It should be no surprise, therefore, that corporate earnings are heavily "managed." At best, this is hard to prove. However, there are a lot of tell-tale signs that this is the case. But who cares? Forbes magazine quotes an accounting expert who catches the sentiment of the times well saying, "*As long as you're up 90%, you don't care if a company is using a little aggressive accounting. A lot of people have made a lot of money in this bull market, so they don't ask too many questions.*"

The fact is that most stock markets are vastly over-inflated because of rampant greed and deceptive practices. But, very few protest. Deception is lucrative during bull markets. Everybody from the vastly over-paid corporate whipping boys, to portfolio managers and mutual fund investors have a vested interest in playing this dangerous game. One of the side-effects of this orgy of greed is that it feeds the advance of the world's multinationals. These

¹⁵ Global Finance compensation survey of top 100 financial officers of MNCS. Overall compensation for this group surged 83% in 1997 over 1996 levels to a stratospheric average of \$4 million. A broader survey conducted by Pearl, Meyer and Partners estimates total remuneration of \$2,370 for the chief financial officers of major international companies.

organizations are locked-in to a never-ending demand for more ... more earnings, more domain, more marketshare, more shareholder value.

It's become a small world, corporately. The small clan of global titans continue to spread their span of influence. Their senior executives are treated deferentially, circulating in small groups among themselves, welcomed to the same boards and think tanks. Their finance men — the new alchemists, the magicians of the day who are apparently pulling profits out from thin air — are a small club, too. Global Finance magazine estimates that there are only around 60,000 people actively managing global finance numbers around the world,¹⁶ and, they are all very well remunerated for their troubles. And so, rampant cost-cutting and rationalization activity continues even though the U.S. economy and corporate profits appear strong. Never before have employee lay-offs occurred during such rosy times.

Clearly, the globalization race, at least as it's played out in the domain of the world's major corporations, is driven by greed and glory. The competitive stakes and pay-offs are huge; more than enough to tempt and break even the strongest and most-principled people.

No doubt, corporate executives play an integral role in defining the commercial era of our day. Yet they are not the singular culprits. In truth, the root of the greed is potentially found closer to home — perhaps in you and me. This potential root for greed is found in every investor who may want to stake his or her future security on the fate of financial markets. For example, we may buy equity mutual funds. If so, we want them to go up in value. The faster the better. We need not understand *why* they go up. Nevertheless, as an investor we expect ridiculously high gains and will quickly dump our mutual funds if they don't deliver. The fact is that we are participating in a mutually-supportive scheme driven by greed and deception all around. Money managers support the high compensation stakes of corporate executives. After all, they stand to gain hugely from this scheme, too. While it is easy to criticize all of the highly-paid players in the financial mania that has swept the endtime world, in the end, it all finds its source with the average investor.

So we come full circle. Has a global titan slashed jobs at a plant near you? Are wages not keeping up with the cost of living? Are competitive pressures in the marketplace becoming more cutthroat and corrupt? Chances are that these occurrences have a lot to do with the world's rush to a materialism and idolatry. The manic push to buy equity mutual funds that will supposedly deliver huge gains year after year is based upon an empire whose very foundation is built on the love of money.

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The global titans will probably continue to extend their reach in future years. As a result, the circle of individuals with the power to influence the world's economic and financial activity will therefore likely continue to shrink even further. The merger and acquisition boom continues a pace, with ever larger companies emerging, then dominating global industries. Media companies spread their networks globally as they gobble each other up. Telecommunications companies, already the among the largest firms in most countries,

¹⁶ Global Finance magazine regularly publishes its annual survey of the world's top 600 "movers and shakers" in the world of finance. No doubt, financial officers seem to be venerated as the new alchemists; spinning apparent profits out of nothing. The article gushes: "*the global 600, in fact, constitutes a new supranational social class. Individually, they're pursuing their specific goals; together they're creating the global financial system of the 21st century.*"

merge and align with each other around the globe. A small number of them now control the majority of international communication traffic. Car companies devour the weaker ones hoping to gain advantages in the global sweepstakes for dominance, sticking together major companies from Japan, France, Germany and the US to name a few. The same trends are evident in financial services, pharmaceutical, technology, petroleum ... in every major world industry. Whereas mergers and acquisition were usually concentrated within countries in the past, mergers today have moved to the global arena. Without a doubt, MNCs are the major force on the earth today driving globalization and a convergence towards unified beliefs and values around the world.

I believe that these developments are a mark of the endtimes ... an integral part of The Endtime Money Snare.

Could it be possible that the captains of the largest world-spanning corporations were seen by the Prophet Daniel in his last vision? In Daniel 11:39 we read that Satan (or possibly the Antichrist) “[...]will attack the mightiest fortresses with the help of a foreign god and will greatly honor those who acknowledge him. He will make them rulers over many people and will distribute the land at a price.” Certainly, the chief executive officers of the biggest MNCs are rulers over many employees, and distribute the global economic landscape through the mechanism of price.

It’s conceivable that top industry bosses of the world might some day qualify as the ten kings of the last days as spoken about in Revelations. If the world continues its path towards rampant materialism, the managers of global economic kingdoms — large industry-dominating MNCS — will indeed number among the world’s kings. Leading international consulting firms now talk of a world ruled by the “megaglot” — massive organizations that will make today’s multinationals look like corner stores. Interestingly, one expects that 10 to 20 of these super companies may form by the year 2010.¹⁷ These will be so large, they predict, that they will have their own social systems to supplant the services that are traditionally offered by governments. If these forecasts are correct, the chief executive officers of the megaglots will indeed be considered kings.

¹⁷ Deloitte, Outlook 2000 Plus.

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