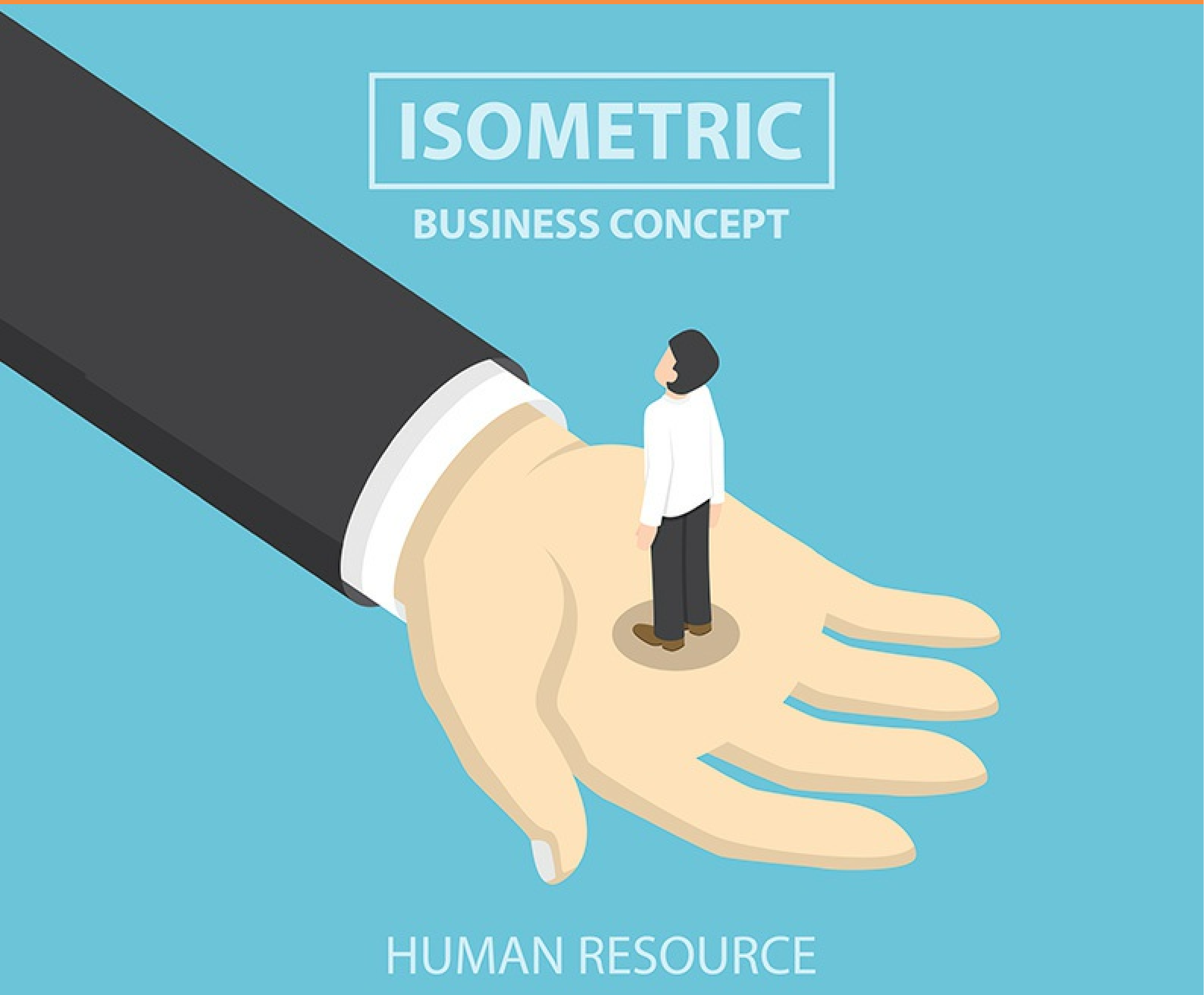

Roman Lindauer

Influential Corporations

How They Form Their Staff and the World Around Them

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ROMAN LINDAUER

INFLUENTIAL CORPORATIONS

HOW THEY FORM THEIR STAFF AND WORLD AROUND THEM

Influential Corporations: How They Form Their Staff and World Around Them
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PREFACE

Corporations have existed in our business world for a long time. They have been created to support business, marketing and financial aspirations of the greatest entrepreneurs of the mankind. Over all those years, their special characteristics, attributes and economical potential have developed. Corporations are very strong and they easily dominate the business world.

Corporations are often seen as monopolistic, secretive, selfish and as the central point of modern slavery. In this book, I would like to describe the roots and the actual state of modern corporations. We all know they are powerful and fragile, as well as open and secretive at the same time. Corporations require special skills from their employees and often give them extraordinary rewards.

This book is not aimed against corporations. The power of corporations is sometimes visible and hidden at other times. I believe we have to recognize and understand that. Corporations are here to stay and my ambition is to make them more transparent.

I wish you a happy reading.

Prague, 2019

1 BRIEF HISTORY OF CORPORATIONS

I see today's corporations as the very last phase of business evolution. They have accumulated all the knowledge, management practices, business drive and progress made during the 150-year-long journey from primitive manufactures to today's powerful global organizations.

Corporations have created their own values, measures and methods of influence. Similarly to dinosaurs, they have learnt how to manage their massive organizational bodies in our world. Corporations are a huge financial, material and human resource. Over their life cycle, they become a "product of their own class". In other words, they cannot be compared to anything else in the world of global business. They bring unification, new trends, they are masters of high quality marketing and often have more economic power than middle-sized states.

Everybody in the business world has heard of Siemens, IBM, Microsoft, Google, SAP, Ford, VW, Coca-Cola or Unilever products. These names are easily associated with the machinery, software, automotive or food processing industries. The above company names are just a few examples because there are many more global corporations.

Corporations were created by men and women driven by the idea of a greater market share, higher revenues or more extensive product portfolios. Since the very beginning, the first step of each corporation has been a tap dance between the legal environment, tax conditions and comparative multinational business conditions. Corporations always have an advantage when it comes to hiring the brightest people in the labor market. They have managed to hire some super talented persons who got the opportunity to implement their inventive ideas regarding how to change, expand and run subsidiaries worldwide. Corporations invented the common space that accommodates a million ideas and their careful assessment and selection is a tough job. Thanks to corporations, we get to enjoy identical marketing campaigns worldwide, precisely formulated slogans (Just Do It, Simply Clever or Run the World) or consistent food quality across the globe (McDonald's or Coca-Cola).

Corporations are like big tankers. Every change takes too long and requires a lot of energy. This is the reason why people see corporations as static, monocultural, unmodern or unchangeable. In every organization, you will find agile and bright people and corporations are no exception. Thanks to their nearly unlimited pool of internal talent and external resources, they are well aware of the needs and requirements of potential customers and how to make them happy.

There are some advantages and some disadvantages to corporations. I personally think that corporations will have a tough life in the foreseeable future because mass production might be replaced by tailor made production for some commodities. I think that corporations will not be as visible because it is likely that they will create a number of seemingly independent but actually fully dependent and centrally managed companies.

With the major and unpredictable impact of the concept of intelligent enterprises, digitalization of business, further automation, customization and decrease in the number of repetitive tasks, the global business world will change. The new era has already started and internet is one of the key boosters behind these massive changes that await us. Corporations will transform themselves but their DNA, culture, concepts and brutal power will remain. The following pages will cover the beginning of the journey and the impact on human society and the culture of work.

1.1 MINING INDUSTRY

Coal mines were one of the important triggers that made the Industrial Revolution possible. Coal was a source of energy which was needed to power steam machines, steel productions and the entire expansion of the machine industry. Coal mine owners had the initial raw material under the surface and they simply needed enough labor to be able to produce the contracted volume of coal every day.

Work in coal mines was hard. There are several risks associated with the job such as frequent work injuries, primitive working conditions and the dangerous use of dynamite. Frustrated and tired coal miners frequented bars and inns around the coal mine because it made them feel alive before yet another shift. The physical distance between the coal mine and the workforce was limited due to a lack of public transport. That is why coal miners very often lived in one neighborhood. They lived in a real symbiotic relationship with the source of their bread and butter.

After long years of development of the coal mine industry as a corporation, we can define its influence using several dimensions. One of the initial dimensions was the natural demand for labor cost control in combination with controlling the cost of the necessary technical equipment. In other words, keeping costs stable is a way to leveraging the final financial profit. Other sunk costs were allocated to the exploration of new raw coal resources because the existing ones were exploited every day. Exploration works became an inevitable part of the cost structure.

Another area of permanent interest was the continuous increase in the number of consumers. Over the years, several categories of consumers were created on the market. People in cities with their heating needs every autumn and winter, major railroad companies transporting goods and people, big steamboat companies in need of coal for their ships crossing the world oceans, big industrial units that required coal for production and, last but not least, state-owned social and health care institutions.

Coal mine owners started to unify themselves and in several legal steps created monopolistic structures controlling the supply and customer chains. The very first corporations were unified coal mines because they dictated the market conditions until electricity was invented and used in industrial production.

Coal was a valuable commodity and price control was an effective tool for managing the profitability of many sectors, industries and businesses.

Coal mines defined some basic principles to ensure the security of their assets such as:

- Limited work hours
  Since the early years of the Industrial Revolution, workers in the manufactures and factories were forced to work 12 to 16 hours a day. Owners of coal mines and large factories wanted to maximize their profits and that is why they exploited their employees to the maximum. The social situation was very uneven and long shifts applied to all workers – men, women and children. Even children had to work hard to secure financial resources for their daily living. Strikes and frequent unrests organized by trade unions representing the workforce forced coal mines to change their attitude. One of the biggest achievements were fixed work hours in a day which is a principle still respected today.

- Own security service guards
  All the technology used in a coal mine was very expensive. Steam machines, vehicles used to transport coal on the ground and underground, warehouses full of tools and equipment used by coal miners, explosives and medical rooms had to be watched and secured to prevent theft. Security applied to the physical assets led to the founding of special security forces guarding the coal mine property within the coal mine perimeter. Service guards were assigned to the various tasks and often played the role of a private army.

- Centralized pension and health insurance for employees
  Coal miners as the key asset allowing the owners to achieve the essential purpose of the coal mine had a very limited life span. The negative effect of the coal dust working environment, frequent work injuries and working underground made their lives short and relative painful. Coal miners needed to have all the necessary medical expenses paid and wanted some kind of insurance where their individual contributions would be saved and in case of their death or work injury some funds would be released to pay for medical assistance or to a close family member. All agreements based on the arrangements made between the workforce and the administration were forwarded to the financial clerks of the coal mine. Financial resources were regularly controlled to prevent fraud or misuse by representatives of the coal miners. This was a real beginning of centralized pension and health insurance schemes as they are known today.

- Affordable housing for their employees
  The key indicator of an effective coal mine was the daily output in tons of processed coal. This required constant and stable workforce that would be ideally willing and able to use their best skills, physical resources and energy to do their work. To be able to do so, the coal miners should not be tired out by their daily journey from distant villages to the coal mine and back. Coal mine management invented and supported the idea of building uniform houses for their coal miners. The advantage was the ability to control the workforce, minimum transport time before the start of the daily shift and the feeling of team work. An inconspicuous but very practical advantage was the ability to charge the coal miners a fee for the use of the flats and houses. Receipts from rent had a positive impact on the coal mine's cash flow.

- On-site health care units
  Work injuries were often caused by the use of explosives, landslides in the long narrow corridors inside the coal mine or anything else that had a damaging effect on the coal miners. Many lives were lost during the transport of patients to medical specialists. Experienced coal mine owners started opening permanent on-site health care units. This change of operating conditions gave the coal miners a lot more confidence because they believed that in case of an injury they will receive first aid immediately. Doctors and medical staff also used to do medical checks of the workforce and focused on preventive care, for example against tuberculosis.

- Permanent on-site emergency units
  In a place as dangerous as coal mines, it was essential to have an emergency unit on site. In case of an injury, first aid was available immediately. The running costs of having a permanent emergency unit were compensated by shorter recovery times including a reduced risk of death caused by long transport times. The emergency unit was an expression of pure human resources protection.

- Stable salary plan for employees

  Proper administration leads to more precise calculation of operating margin. Coal mine owners were in a solid position to know the total amount of liabilities including the volume of salaries. Coal miners were part of permanent workforce, newcomers were very rare and usually replacements in extraordinary situations. The working class was tied to the coal mine through several bonds. One of these bonds was assurance of a stable/fixed salary which was negotiated at least once a year.

  Coal mine owners organized in cartels or unions set the tone of the behavior of strong corporations. Still today, we can see the same preferences among power distributors and water suppliers. Companies offering their raw resources or products are trying to monopolize the following:

- Controlled demand and supply
  Creation of added value depends on the value chain which is characterized by the limited ability of companies to survive on the market between demand and supply. Coal was a strategic raw material and coal mine owners needed to offer their product to potential consumers throughout the region. The key indicators were the quality of the coal, its market price and guaranteed volume. Coal mine owners had the option to copy the style of other producers or establish the own way going forward. Consumers were screening the coal market, its supply and overall condition to avoid overpaying the coal mine.

- Structured prices
  Several price lists for key customer groups were essential to business success. High volume consumers were motivated by the lowest prices because the margin was guaranteed to absorb the cost of the coal used. Higher prices were set for seasonal institutions and finally the highest prices were offered to the people who needed coal for their own use.

- Own methods of measuring consumption
  The volume of coal transported to the surface was measured by ton, the exact number of carts shipped to the customers, volume of advances paid by customers and more. These indicators were being created since the beginning of the industrial revolution. The main reason was to provide information from which the management might extrapolate the gross margin.

- End-to-end service for consumers with no alternative
  In ideal cases, coal mines entered into contracts with railway companies to deliver their coal to the customers in the shortest time possible with minimum delay. In that case, the coal mine was able to guarantee not only the quality and volume of the coal but also its delivery to the customer. Experienced coal mine owners organized their own transport capacities from railway stations across cities and villages. Coal mine owners tried for the first time in history to cover the full service cycle from the initial production, through transport to the final delivery.

- Some form of state ownership
  After some time, coal mines were recognized by the state as strategic vendors and the state entered their business in some form of a joint venture. The state started to support coal mines and this support took on various forms: from fixed coal prices to technical support provided by the educational system for young pupils who were interested in various professions needed in the coal mine. Various welfare benefits and lower income tax were also important tools used by the state to demonstrate its participation in the coal mine business.

- Planned regional and international expansion
  Coal mines often created plans for an expansion of their influence, power and number of potential customers. The state's economic policy in the 19th century relied on coal mines and a successful state was characterized by nearly unlimited coal resources. Exploration works continued because everyone believed the volume of coal under the surface was unlimited. Geologists documenting the locations of coal along with other strategic resources such as iron played an important role in the planned and controlled expansion.

Old coal mine giants set the rules of the game where the combination of partly state-owned companies and monopolistic structures had enormous power. Their profits depended on their consumers' need for their product. Energy, heat, steam were the vehicles of the modern era that allowed them to expand human assets up to today's status quo. Coal mine organizations invented market manipulation, a form of blackmailing consumers, limited production, and set up the foundations for most modern corporations.

When envisioning the future of mining, everyone has a different idea. Because the public opinion sees mining as an old, dirty, dangerous and environmentally contentious industry, companies have two options: either innovate or stagnate.

"Mining companies will have to lose the rigid and ironclad business models and practices of old and become fluid, flexible and agile enterprises poised to pounce on opportunity," says a report by IBM entitled Envisioning the Future of Mining.

At the same time, many (if not most) of the core mining activities, practices and competencies will be carried forward from practices today. Sometimes the question is "what will be different?" and sometimes "what will we do better?" The one constant in the mining industry is change. The following characteristics are a composite of all the best and brightest practices in mining. We break down what needs to be discussed, enhanced and built upon for the future of mining.

1. **Business model innovation**
   Historically, the mining companies have chased production growth at the expense of productivity on a volume and cost basis. Well, times are a-changing.

   New business models should focus on value, both for the organization and the customer. Mining companies should focus on realigning relationships to build financial solidity of suppliers, partners and customers. This will in return provide long-standing profitable relationships that enable companies to transcend commodity-trading relationships only.

Companies should:

- *Allow their business model to be driven by customer demand*
- *View supply chain holistically and optimized as an integrated process*
- *Make operations become geography-independent*
- *Learn from other industries, partners, acquisitions and other sources*
- *Be forward-looking utilizing smarter plans and advanced business analytics*

2. Asset management

Good asset management considers and optimizes the conflicting priorities of asset utilization and asset care, of short term performance opportunities and long term sustainability, and between capital investments and operating costs, risks and performance.

In the future, companies will need a revitalized outlook and approach to asset management. Companies should view the entire asset management life cycle and take a wider view of asset classes and how they each behave and contribute value differently.

Companies should:

- *View assets as instrumental and intelligent, reporting their location, their status and other key metrics remotely and automatically.*
- *Include a broader array of asset classes, including land, fields, inventory, information technology, real estate, and infrastructure.*
- *Implement a centralized asset management program, leveraging sophisticated asset management practices and integrated asset management tools/technologies.*

3. **Governance and workforce collaboration**

According to a study in Australia, mining companies are among the worst performers in an assessment of the corporate governance standards compared to other industry sectors.

The future of mining will improve its utilization of governance and workers to drive change and improvement. Companies will adopt new strategies for collaboration among departments, geographies, phases of the supply chain, partners, customers and suppliers that will become critical to building enterprise agility.

Companies should:

- *Collaborate with suppliers, customers and partners to work on common issues, improve relationships, improve productivity and create better and more accurate plans.*
- *Communicate and collaborate across the entire enterprise and across multiple mines and sites. Activities should be coordinated through a central control room or location.*
- *Allow research and design to be fueled by collaboration across the company; through vendors and partners; and within the industry.*

4. **Energy and environment**

The time is now for the mining industry to take a proactive stance in energy and the environment to make substantial societal changes as well as improve costs and attract new talent. New programs and technologies will be implemented more frequently to manage consumables such as carbon, water and fuel from end to end. Being environmentally friendly or "going green" will be more than just a marketing ploy.

Companies should:

- *Integrate Corporate Social Responsibility (CSR) programs into as many aspects of their business as possible.*
- *Utilize process, information and analytical tools to manage environmental and energy consumables.*
- *Attract eco-friendly advocates to work and support clean mining operations.*

5. **Remote operations**
   Although almost everyone knows automation is the future of mining, most mines are still run with a localized approach. The idea behind remote locations is to move control centers to a centralized location where mining performances can be measured across sites and locations. This allows for metrics and measurement processes to be standardized and universally adopted.

   Companies should:

   - *Manage sites centrally from one location to achieve improved control of the enterprise. The reduction of redundant management reduces costs.*
   - *Utilize automation including robotic and remotely controlled equipment and transportation when appropriate for the company.*[1]

Mining is good hypothesis

Mining has been, and in many cases remains, important to the economic development of a number of industrialized countries such as Australia, Canada, Sweden, and the United States, which in many ways based their development on their natural resources. Various cities and regions, as well, have built their wealth and industrial development at least in part on mining. Historical examples include Monterrey in Mexico, which emerged from the mining boom of the 19th century as a processor of iron ore and steel, Colombia's Antioquia province with its epicenter Medellín, and São Paolo, Brazil. Current examples include Zambia's copper belt, Chile's Antofagasta region, the southwestern area of Ghana, and China's Shanxi province.

For purposes of this paper, authors supporting the "mining is good" hypothesis are grouped into three main schools of thoughts:

"Origin of cluster growth" and **"staples theory."** Proponents of this view look at the ability of mineral resources to provide commodities that encourage the emergence of downstream local industrial production. If necessary preconditions such as the availability of transport and power are met, mining is considered to contribute to the creation of "clusters" of industrial growth.

"Miners bring technology and innovation." The sector's orientation toward technology and innovative drive has prompted some observers to argue that mining can be "fundamentally a collective learning experience".

Mining, it is argued, with its emphasis on technology and capital-intensive production, can create and support the emergence of "national innovative capacity" or the ability of countries to produce and commercialize knowledge over the long term. This, in turn, will create a platform from which innovative potential can be launched in other sectors and parts of the economy, contributing to sustained economic growth.

"It's not what you do, but how you do it." This line of thought centers on the substantial income flows that governments often receive from mining (or other natural resources). It examines the quality of economic management, governance systems, and institutional capital necessary to transform such flows and the dynamics associated with foreign direct investment in the sector into viable assets sustainable in the longer term. The arguments depart from various points, ranging from the need, under certain circumstances, for careful and measured industrial policy to suggestions for independent and transparent financial management institutions, including the use of independent investment funds. Most of the studies argue that where such institutions and policies exist, mining sustains and enhances economic growth in developing countries.

All the arguments presented above are based on the understanding that even though abundance of natural resources is exogenous, natural wealth itself is not. Rather, it is a function of the quality and extent of a number of other factors.
These include enabling infrastructure and related downstream economic activity; knowledge and improvements in exploration and extraction techniques, the sector's institutional and regulatory frameworks and, more generally, institutional capital and the quality of economic management at large. Some of these assertions may appear unusual at first sight. For example, the argument that a vibrant mining sector can spur technology innovation in other sectors appears unusual, particularly given the stereotype of an otherwise rather conservative industry.

However, the sector has achieved extraordinary advances in management practices and technology over the last 20 years, necessitated mostly by drastic falls in commodity prices. This has resulted in aggressive cost-cutting, as well as in the development of new technologies that have expanded the ability of mining operations to extract minerals and metals from lower and lower grade ores. It is worth noting that the "mining brings innovation" argument emphasizes, just as much as the other two lines of argument, the importance of institutions in enabling the innovative drive of the sector to take hold and permeate to other sectors.

Mining is bad hypothesis

There are some spectacular cases in which mining wealth has been squandered and where countries are no better off – if not worse off – because of mismanaged mining development and plundered mineral wealth. Recent examples include Congo and Sierra Leone; earlier ones include Angola and Liberia. These cases and others observed among oil countries have led a number of economists to argue that economies generating large incomes from natural resources have grown more slowly than others. Proponents of the "mining is bad" hypothesis appear to belong to three main schools of thought:

The "trap of specialization." A number of different arguments, each pointing to the presumed inevitability of slower economic growth in resource-rich countries, emphasize as a starting point the risks from an economy's specialization on the resource sector.

While normally economists would argue that specialization on high-rent sectors is efficient and the underlying reallocation of labor and capital toward this sector is rational, specificities with the resource sector per se are what gives rise to concern. One line of argument focuses on the well-documented dangers imminent in a decline of the terms of trade of natural resources. This has been recently contradicted by Hadass and Williamson (2001) who find that the terms of trade actually improved for resource economies, largely due to rapidly declining transport costs during the same sample period.

A second strand emphasizes the vulnerability of resource-reliant economies to shocks from the invariable fluctuations in resource prices which are inherent in the commodity character of natural resources. Mostly during the 1960s and 1970s, UNCTAD pointed to difficulties in investment planning due to price fluctuations (see Lazlo and others, 1978). More recently, concerns relating to price instability focus on resulting fluctuations in government fiscal revenues.

A third points to the risk of drawing capital and labor away from other sectors that would have achieved higher productivity growth and thus would have contributed to a more sustainable long-term economic growth than the fickle resource sector. It is ultimately not the resource sector itself but the neglect of and downturn in other, presumably more innovative, sectors that would slow down growth in economies that rely largely on natural resource sectors such as mining. The latter argument is sometimes called the "Dutch Disease," the phenomenon that in resource-abundant economies a positive price or quantity shock may result in de-industrialization. The term arose from the effects of the discovery of North Sea gas on the manufacturing sector in the Netherlands.

The "trap of specialization" argument appears strongest when put forward alongside an analysis of "rent-seeking behavior." Self-interested political lobbying, it is said, by sectors not reliant on natural resources – typically manufacturing – forces governments to adopt import substituting protectionists policies. These shield these sectors from competition and slow down innovation. Eventually, it is argued, incomes from natural resources drop, subsidies to other sectors can no longer be paid, and protection becomes too expensive. Then these sectors are exposed to fierce competition and are forced to contract, in turn leading to slower or even negative growth rates of the economy overall.

"Misguided investment policies". This line of reasoning focuses on the challenges of managing the revenue flows to governments based on natural resources such as mining. It argues that governments with resource "windfalls" face challenges due both to the extraordinary volume of these revenues and to their volatility. Governments must identify large numbers of investment projects, mostly simultaneously, through which the revenues generated can earn appropriate rates of return. This challenge is exacerbated by the emergence of self-interested parties that attempt to divert funds toward their own causes.

Such vested interests can take the form of political lobbying or, at the extreme, of corruption or mobster-style activities. In particular, when committed to investing the revenues locally, and when driven by self-interested parties, governments may end up investing in projects that not only generate low returns but also involve large recurrent costs. These eventually become a fiscal drain as revenues from resource operations fluctuate. Both tendencies – to choose investment projects with suboptimal returns, and to choose projects with recurrent costs – would then result in slower economic growth than had occurred otherwise, it is argued.

"Financing conflict". A further proposition, much discussed by the media, is that revenues from mineral resources can fuel already existing conflicts by providing easily accessible financing for military expenditures. This concern has attracted much public attention, mostly with regard to diamond mining in Angola and Sierra Leone.

A number of initiatives have begun to develop ways of stopping the trade with among others, so-called "blood diamonds": that is, diamonds from conflict areas. It is worth noting that certain features related to the minerals themselves can influence their potential to "finance conflict". Is gold mined underground, or is it panned above ground and thus easy to reach? Is the dominant source of income diamonds that are easy to smuggle, or less portable industrial minerals? The answers can largely determine whether and to what extent mining rents can be diverted and misused by warlords and other self-interested groups.

Most authors argue strongly that the availability of income from mining (or other extractive resources such as oil or gas) in and of itself triggers self-interested behavior and ineffective systems in the public policy realm. Whether called "rent-seeking" or "greed," it is this behavior that is understood to be at the bottom of distortionary policy regimes in resource-rich countries. This leads to misguided decisions in economic management, public expenditure, and trade regimes, all with great potential to slow down economic growth. In this view, extractive resources are a curse.

Is all that the proponents of this view are saying then that "money is the root of all evil"? While there may be some truth to such a statement, it remains a somewhat paternalistic assertion when applied to policy-making in resource-rich countries.
At the same time, this critique has the merit of pinpointing one of the key challenges for these countries: the necessity of setting policies and building institutions and systems that can handle large revenue flows without falling prey to rent-seeking behavior.[2]

1.2 FILM INDUSTRY

At the very beginning of the new film industry stood a couple of fans who liked the technology used to record motion images. They were not entrepreneurs. They were technology fans who would film very simple activities such as trains arriving to the station or horse races and showed these very short documentary films during various fairs as a brand new attraction. People in the audience were simply amazed. Until then, there were only static photographs and with the technology that allowed them to make recordings, the world started to change.

After the tents, where these short films were presented as something spectacular and amazing with a wow effect, the next milestone was to present stories. But stories required scripts, actors and directors. Across Europe and the USA, a dozen small teams started to create low-quality silent movies. These individual teams were not professionally organized and had no bigger ambition than to present the movies to the audience in a few big cities within their region. This stage of development was similar to the real manufactures at the beginning of the industrialization era.

After some time, these small independent teams became organized and more professional. The production of their silent movies evolved. The incorporation of film companies became a norm. These film companies invested money in screenwriters, dialogue creators, film operators and directors and, more profoundly, in actors. All these relatively new professions delivered their skills and that allowed movies to be made. The important parts of these arrangements were the legal bonds among the official film company and their vendors. The film business industry as a whole was dependent on the public's interest in seeing more and more new short films.

Here, we can see the initial set up of corporations. The dominance over the necessary resources and a crystal clear need to control are some of the primary characteristics.

The shift from several regional film companies to a few companies dominant in each European country took several years. During this journey, film producers learnt important skills such as negotiation, market splitting, the star system and how to acquire the best resources.

The progress continued in the following decades when regional film companies became international. This trend was in line with the purchasing options available to chains of film theaters where films were presented to the audience on a regular basis. Here, the evolution reached an important point. For the first time in history, we can see the full circle in the industry and its full control. Film, which had been only an attraction, found its place in the hearts and souls of consumers. At the ideal point in time, film created a feeling of need among its consumers due to them missing the experience of thrill or romance. Then, the film industry would organize itself and secure the resources for its own production. Finally, it continued with the organization by securing its distribution channels.

And the story continues. Big studios in the USA became fully independent and started to dominate the market. These studios had their own staff with fixed seven-year contracts. They had their special teams capable of turning regular men and women into real stars. They had large teams of skilled people looking for new topics, ideas and scripts. The studios paid promising authors. They had their own security guards, hospitals and transportation facilities. Major film studios enjoyed a very special position.

Looking at film studios as the highest stage of evolution of this very special industry, we can recognize some characteristics that are common to all corporations:

- Full control over production resources and distribution channels
  At all times, film producers tried to combine the ownership rights and power over distribution channels. If they got a hold of control over these two elementary aspects, they were able to manipulate the market and benefit from the non-existence of "the man in the middle." The film industry tried to secure the rights to determine to whom the films will be available, at which price and for how long. The need for such control was the primary reason for the establishment of the United Artists Corporation.

- Development of their own strong brand marketing
  Major film studios were famous, powerful and untouchable for dozens of years. Studio directors were certain that the clear and easy-to-understand message towards the consumers would be effective. Everybody remembers names such as MGM, Paramount or Universal. Everybody knows these names can be associated with film entertainment. Major TV studios applied the same approach and that is why we have Fox, CNN, BBC or MTV today. Compared to the old film studios, every TV studio represents a specific type of infotainment for narrowly characterized group of viewers.

- Organized press and media campaigns in favor of their brand
  In the old days of the film industry, special film-oriented tabloids were published for film fans. The content of such tabloids was easy to read: several gossips about film stars, new film announcements, a fashion corner and a report on the life style of a selected film star. Every major studio had such media which were later accompanied by radio marketing shows, especially on the opening night showings of new films. It was important to interview leading actors and film directors on such occasions.

- Hiring skilled people for a long time
  Every person selected for his/her physical beauty was hired by a film studio for a fixed term of seven years. It was obvious that such a person needed to be trained, cultivated, they had to join acting classes, tune up the proper pronunciation and much more. The idea behind it was that a new film star should be very well prepared before entering the market. Studios carefully calculated the optimal time slots when brand new stars would be presented to the mass audience. Each studio had two great stars (one male and one female) who were useable once the audience was willing to pay to see them on the silver screen. In case the cash inflow was not so great, they would be replaced by two carefully prepared new film stars and the whole cycle continued. Keeping such a cycle rolling required a very long time and film studios protected their investments by extremely long contracts not only with the actors but with all representatives of the film industry including all administrative and specialist professions.

Everything was possible thanks to the enormous profit available in the film industry. Incoming cash flows compared to the costs still generated a solid buffer that allowed major studios to keep going. Every year, dozens of various films were presented to the market. A number of new films were consumed by millions of viewers. Millions of viewers were paying for the right to watch films and that generated enormous profits.

These "golden days" of movies were characterized by film stars with a carefully presented image, technically matured films with new ways of screening, and filming of story-telling concepts. Based on the memories of those, who got to experience those times, we can imagine an imaginary world where a studio is a state within a state having full control over its human and technical resources, where competitors were eliminated in nasty ways, and where new rising stars were auctioned similarly to race horses. Studios were generating huge profits because they were able to do so. They set the prices all along the value chain. We might say that this was a real monopolistic culture.

The days of big studios are over and they were replaced by media and hi-tech producers who wanted to acquire resources for their technological gadgets. What is the value of a portable screen if no content is available? What will motivate potential buyers if there is no attractive content?

The giant leap forward was driven by brand new technologies which allow people to watch movies on their portable devices such as phones, tablets and laptops. A number of options were developed but the rock solid central point is still the same. It is movie studios and their creativity that bring stories in front of the eyes of the audience longing for them.

Film studios become corporations with all their attributes. The demand control over production, dominance over the supply and distributor channels, and they create the feeling of need in their customers.

The film industry evolved into a corporation-like state of organization maturity. The universal attributes of the corporation-like "state of mind" and corporate behavior are visible and notable during most of the 20th century. The future might belong to the more independent film makers and producers who won't be managed by film tycoons of the past and their rigid rules. Modern technologies deliver high-quality motion picture records and stereophonic sound. Thanks to that, modern film producers, directors and viewers have a wide range of opportunities how to enjoy film as an artistic discipline free of any limits on production costs. Distribution channels are more flexible than ever before. Internet, social media and nearly unlimited possibilities to copy and paste files all over data capturing gadgets and equipment allow film fans to disseminate their objects of desire and admiration without movie theaters and distribution corporations. Aside from all legal aspects of this kind of behavior, we all are witnesses to the fall of one of the oldest corporation empires called the film industry.

1.2.1 THE HISTORY OF THE HOLLYWOOD MOVIE FILM INDUSTRY

Perhaps no other place on earth evokes the same air of show-business magic and glamour as Hollywood. The legend of Hollywood began in the early 20th century and is an earmark of modern American society rich in history and innovation.

The origin of movies and motion pictures began in the late 1800s, with the invention of "motion toys" designed to trick the eye into seeing an illusion of motion from a display of still frames in quick succession, such as the thaumatrope and the zoetrope. In 1872, Edward Muybridge created the first true "motion picture" by placing twelve cameras on a racetrack and rigging the cameras to capture shots in quick sequence as a horse crossed in front of their lenses.

The first film for motion photography was invented in 1885 by George Eastman and William H. Walker, which contributed to the advance of motion photography. Shortly thereafter, the brothers Auguste and Louis Lumiere created a hand-cranked machine called the cinematographe, which could both capture pictures and project still frames in quick succession.

The 1900s were a time of great advancement for film and motion picture technology. Exploration into editing, backdrops, and visual flow motivated aspiring filmmakers to push into new creative territory. One of the earliest and most famous movies created during this time was The Great Train Robbery, created in 1903 by Edwin S. Porter.

Around 1905, “Nickelodeons”, or 5-cent movie theaters, began to offer an easy and inexpensive way for the public to watch movies. Nickelodeons helped the movie industry move into the 1920s by increasing the public appeal of film and generate more money for filmmakers, alongside the widespread use of theaters to screen World War I propaganda. After World War I ended and ushered the United States into a cultural boom, a new industry center was on the rise: Hollywood, the home of motion pictures in America.

According to industry myth, the first movie made in Hollywood was Cecil B. DeMille’s The Squaw Man in 1914 when its director decided last-minute to shoot in Los Angeles, but In Old California, an earlier film by DW Griffith, had been filmed entirely in the village of Hollywood in 1910. By 1919, “Hollywood” had transformed into the face of American cinema and all the glamour it would come to embody.

The 1920s were when the movie industry began to truly flourish, along with the birth of the “movie star”. With hundreds of movies being made each year, Hollywood was the rise of an American force. Hollywood alone was considered a cultural icon set apart from the rest of Los Angeles, emphasizing leisure, luxury, and a growing “party scene”.

Hollywood was the birthplace of movie studios, which were of great importance to America's public image in the movie industry. The earliest and most affluent film companies were Warner Brothers Pictures, Paramount, RKO, Metro Goldwin Meyer, and 20th Century Fox, each of whom owned their own film production sets and studios. Universal, United, and Columbia Pictures were also considered noteworthy, despite not owning their own theaters, while Disney, Monogram, and Republic were considered third-tier.

This age also saw the rise of two coveted roles in the movie industry: the director and the star. Directors began to receive greater recognition for using and trademarking personal styles in the creation of their films, which previously in history had not been possible due to limitations in filmmaking technology. Additionally, movie stars began to receive greater fame and notoriety due to increases in publicity and shifts in American trends to value faces from the big screen.

The 1930s was considered the Golden Age of Hollywood. A new era in film history began in this decade with the introduction of sound into film, creating new genres such as action, musicals, documentaries, social statement films, comedies, westerns, and horror movies. The use of audio tracks in motion pictures created a new viewer dynamic and also initiated Hollywood's leverage in the upcoming World War II.

The early 1940s were a tough time for the American film industry, especially after the attack on Pearl Harbor by the Japanese. However, production saw a rebound due to advances in technology such as special effects, better sound recording quality, and the beginning of color film use, all of which made movies more modern and appealing.

Like all other American industries, the film industry responded to World War II with increased productivity, creating a new wave of wartime pictures. During the war, Hollywood was a major source of American patriotism by generating propaganda, documentaries, educational pictures, and general awareness of wartime need. The year 1946 saw an all-time high in theater attendance and total profits.

The 1950s were a time of immense change in American culture and around the world. In the post-war United States, the average family grew in affluence, which created new societal trends, advances in music, and the rise of pop culture – particularly the introduction of television sets. By 1950, an estimated 10 million homes owned a television set.

A shift in demographics created a change in the film industry's target market, which began creating material aimed at American youth. Instead of traditional, idealized portrayals of characters, filmmakers started creating tales of rebellion and rock n' roll. This era saw the rise of films featuring darker plot lines and characters played by "edgier" stars like James Dean, Ava Gardner, and Marilyn Monroe.

The appeal and convenience of television caused a major decline in movie theater attendance, which resulted in many Hollywood studios losing money. To adapt to the times, Hollywood began producing film for TV in order to make the money it was losing in movie theaters. This marked the entrance of Hollywood into the television industry.

The 1960s saw a great push for social change. Movies during this time focused on fun, fashion, rock n' roll, societal shifts like the civil rights movements, and transitions in cultural values. It was also a time of change in the world's perception of America and its culture, largely influenced by the Vietnam War and continuous shifts in governmental power.

1963 was the slowest year in film production; approximately 120 movies were released, which was fewer than any year to date since the 1920s. This decline in production was caused by lower profits due to the pull of television. Film companies instead began to make money in other areas: music records, movies made for TV, and the invention of the TV series.

Additionally, the average film ticket price was lowered to only a dollar, hoping to create greater appeal to former moviegoers. By 1970, this caused a depression in the film industry that had been developing over the past 25 years. A few studios still struggled to survive and made money in new ways, such as theme parks like Florida's Disney World. Because of financial struggles, national companies bought out many studios. The Golden Age of Hollywood was over.

With the Vietnam War in full swing, the 1970s began with an essence of disenchantment and frustration within American culture. Although Hollywood had seen its lowest times, during the late 1960s, the 1970s saw a rush of creativity due to changes in restrictions on language, sex, violence, and other strong thematic content. American counterculture inspired Hollywood to take greater risks with new alternative filmmakers.

The rebirth of Hollywood during the 1970s was based on making high-action and youth-oriented pictures, usually featuring new and dazzling special effects technology. Hollywood's financial trouble was somewhat alleviated with the then-shocking success of movies like Jaws and Star Wars, which became the highest-grossing movies in film history (at that time).

This era also saw the advent of VHS video players, laser disc players, and films on videocassette tapes and discs, which greatly increased profits and revenue for studios. However, this new option to view movies at home once again caused a decrease in theater attendance.

In the 1980s, the past creativity of the film industry became homogenized and overly marketable. Designed only for audience appeal, most 1980s feature films were considered generic and few became classics. This decade is recognized as the introduction of high concept films that could be easily described in 25 words or less, which made the movies of this time more marketable, understandable, and culturally accessible.

By the end of the 1980s, it was generally recognized that films of that time were intended for audiences who sought simple entertainment, as most pictures were unoriginal and formulaic. Many studios sought to capitalize on advancements in special effects technology, instead of taking risks on experimental or thought-provoking concepts. The future of film looked precarious as production costs increased and ticket prices continued to drop. But although the outlook was bleak, films such as Return of the Jedi, Terminator, and Batman were met with unexpected success.

Due to the use of special effects, the budget of film production increased and consequently launched the names of many actors into overblown stardom. International big business eventually took financial control over many movies, which allowed foreign interests to own properties in Hollywood. To save money, more and more films started to launch production in overseas locations. Multi-national industry conglomerates bought out many studios, including Columbia and 20th Century Fox.

The economic decline of the early 1990s caused a major decrease in box office revenue. Overall theater attendance was up due to new multiscreen Cineplex complexes throughout the United States. Use of special effects for violent scenes such as car chases and gunfights in high-budget films was a primary appeal for many moviegoers.

Meanwhile, pressure on studio executives to make ends meet while creating hit movies was on the rise. In Hollywood, movies were becoming exorbitantly expensive to make due to higher costs for movie stars, agency fees, rising production costs, advertising campaigns, and crew threats to strike.

VCRs were still popular at this time, and profits from video rentals were higher than the sales of movie tickets. In 1992, CD-ROMs were created. These paved the way for movies on DVD, which hit stores by 1997. DVDs featured a much better image quality as well as the capacity for interactive content, and videotapes became obsolete a few years later.

The turn of the millennium brought a new age in film history with rapid and remarkable advances in technology. The movie industry has already seen achievements and inventions in the 2000s, such as the Blu-ray disc and IMAX theaters. Additionally, movies and TV shows can now be watched on smartphones, tablets, computers, and other personal devices with the advent of streaming services such as Netflix.

The 2000s have been an era of immense change in the movie and technology industries, and more change is sure to come quickly. What new innovations will the future bring us? Only time will tell.[3]

The Golden Age of Hollywood was dominated by the studio system. Among other things, this meant that actors signed long-term contracts with one studio. Unlike modern actors, who are free to pick and choose the roles they want to play, actors back then filmed the movies the studios wanted and had little control over their careers.

It didn't take long before studio bigwigs started seeing actors simply as cash cows to be squeezed for all they were worth and then replaced. In an effort to maximize marketability, studios exerted huge influence on their stars, basically controlling all major decisions in their lives.

Child actors had it particularly rough. Studios appointed chaperones who were there, mostly, to spy and report back. Famously, Judy Garland was kept on a studio-mandated diet consisting of soup, coffee, and cigarettes to stay thin and was regularly given amphetamines and barbiturates to make it through long working days.

Another child actor, Mickey Rooney, continued to have problems into adulthood when studio head Louis B. Mayer forbade him to marry Ava Gardner in order to maintain his wholesome image. This was common at the time. Many female sex symbols such as Jean Harlow were also denied marriage to maintain their status. Conversely, gay actors like Rock Hudson were expected to stay closeted and accept marriages arranged by the studios. Children were out of the question without studio approval, and many pregnant actresses had to have secret abortions.

The most extreme abuse arguably came from Harry Cohn, president of Columbia Pictures. In order to prevent an interracial marriage between his star, Kim Novak, and Sammy Davis Jr., he used his mob connections to threaten the singer with crippling and blindness. Davis then had 24 hours to marry any black singer in order to dispel lingering rumors.[4]

1.3 HOW TV KILLED HOLLYWOOD GOLDEN AGE

If you consider films like Rebecca, Citizen Kane or All About Eve to be cinematic masterpieces, you're not alone. All three were born during Hollywood's Golden Age, a wildly creative era in which movies dominated mass entertainment and their glamorous stars entranced the public.

But during the 1940s and 1950s, that success suddenly evaporated. Movie palaces shuttered, once mighty studios closed down and some of Hollywood's greatest actors, directors and screenwriters stopped making films. It was the end of an era and television was to blame: the new technology effectively killed Hollywood's Golden Age.

These days, you're much more likely to turn on your television than to head to a movie theater. Here's how TV captivated American audiences—and upended just about everything about the movie business along the way.

Though historians can't agree on the exact years of Hollywood's so-called Golden Age, the years 1930 through 1945 were particularly good for moviemaking. Hollywood glittered not just with profit, but with popular stars and brilliant filmmakers. In those 15 years, more than 7,500 features were released and the number of Americans who watched at least one movie in a theater per week swelled to more than 80 million. It was the best of times—and beloved movies like The Wizard of Oz, It's a Wonderful Life, Casablanca, King Kong and Gone With the Wind are proof of the creative genius unleashed by those stable years.

Part of the winning formula had to do with the studio system. On the lots of the "big eight" studios (20th Century Fox, Columbia Pictures, MGM, Paramount Pictures, RKO Radio Pictures, United Artists, Universal Studios and Warner Bros.), pools of incomparable acting talent on long-term contracts and hordes of talented artisans helped turn screenplays into vivid films. Since studios were so profitable (in part due to their iron grip on movie distribution), they could afford to gamble on creative writing and art direction. And their careful management of actors' personal and professional lives meant they had plenty of beloved movie stars.

But as the good years wore on, movies developed a potentially destructive rival: TV. By the 1930s, technological leaps and a series of high-profile experimental broadcasts made it clear that one day television would be broadcast directly into people's homes. Though a few stations with experimental licenses began broadcasting things like baseball games and early news programs in New York in 1939, television sets were expensive and programming limited. When World War II began, materials shortages halted the expansion of TV in the United States. The threat had been put off—momentarily.

Then the war ended, and social changes turned a trickle of demand for television into a tidal wave. Americans had scrimped and saved since the Great Depression, and when men returned home from war, many families were ready to start spending. Often, their first purchase—with assistance from federal home loans—was a house in the suburbs. Between 1947 and 1953, the number of people living in suburbs grew 43 percent. Since these newly built areas weren't close to downtown movie palaces and often lacked mass transportation options, people began to seek entertainment inside their homes.

They found it on their new TV sets, and in 1948 four major TV networks began broadcasting a full prime-time schedule seven nights a week. Major studios, perhaps seeing the writing on the wall, started scrambling to purchase interests in TV stations. They succeeded, gaining a majority control of TV studios by 1948.

That same year, though, the Supreme Court found Paramount guilty of price-fixing in an antitrust lawsuit. It forced all major movie studios to loosen their grip on the theaters that showed their movies and split up their businesses so they no longer combined production, distribution and exhibition.

The federal government quickly smacked down the studios' ambitions to control television. Federal laws allowed the government to deny TV licenses to companies that had been convicted of engaging in monopolistic activities. The Federal Communications Commission put the powerful studios, which controlled not just their creative artists but the distributors and the movie theaters, in jeopardy.

Shut out from potential TV station ownership and stripped of the control that provided most of their profits, studios began to falter. As the Cold War got chillier, Hollywood was pressured to blacklist actors, directors, screenwriters and others who were suspected of sympathizing with Communists. This drained the industry of some of its best talent.

Broadcast television was free, and it was hard for studios to convince people to look away from a cheap medium that was already in their own homes. Meanwhile, many in-demand stars who weren't blacklisted left the studios behind and flocked to television, too.

In a desperate bid to stay in business, movie studios diversified. They began to produce not just movies, but television shows. Studios licensed out their movies for television broadcast, opened record labels, and created theme parks in an attempt to make more money. Studios even turned their backs on strict morality codes in an attempt to offer viewers something they couldn't get on TV, which could not show controversial or suggestive material due to tough FCC regulations. As a result, movies became more titillating and featured more adult content than before the rise of television.

By the 1960s, more than half of all American homes contained television sets, and TV had done away with nearly everything that made the major motion picture studios so great. Tighter belts meant movie studios took fewer creative risks and invested less money in quality films. Movie palaces fell into disrepair. Fewer feature films were made, and often studios had to rely on sales of their back catalogs for televisions syndication for profit instead of their own current-day films.

Luckily, the rise of TV didn't mean the death of popular entertainment—just its migration to a smaller screen. But the days of the unstoppable Hollywood studio now seem as far away as the days when a movie ticket cost nothing but a quarter.[5]

1.4 MACHINERY INDUSTRY

The recent history of the mankind has been affected by the efforts of an enormous number of known and unknown entrepreneurs. All these entrepreneurs tried to use their skills, power and production capacities to enrich the variety of goods produced.

Krupp, Ford, Standard Oil, Coca Cola, Volkswagen, Siemens and General Electric are real and still strong machinery corporations which dominate their markets and have millions of users. Machinery industry tycoons were often strong men with a vision and a strong will. These men served as inventors, innovators and very strong managers who gained respect and rewards for their products that had not existed until these people came to the market and forced others to either follow or ignore their products.

The machinery industry is based on several key conditions:

- New idea or new technology patents
- Resources and their control
- Available workforce
- Production facilities
- Warehouse management
- Distribution channels and logistics
- Skilled management teams
- Demand management
- Service and customer support
- Marketing
- Perpetual innovation
- Skilled research and development specialists

The machinery industry changed our world unlike anything else. From the dark primitive manufactures and elementary workshops, they developed into highly organized units and independent production and innovation centers. Along the way of progress, many dreams were put into practice or buried.

Corporations in the machinery industry were driven by the idea of mass production of high-quality products. The end user or consumer of these products was literally everyone who wanted to have a car, gasoline, a modern product or a refreshing beverage. Some attributes were subject to modification but the features were fully in the hands of the original producers. The modern computerization of production and use of highly flexible production models changed the meaning and sense of production. Products of daily use were more and more often based on the individual needs and specific conditions of their end users. Robots and sensitive sensors are a guarantee that the quality of production remains stable for the full cycle of production. Corporations in the machinery industry were strong, they are strong and they will remain strong because they hold onto massive capital, intellectual power, carefully scheduled production and skilled cooperators. Large corporations in the machinery industry cooperate with research units, laboratories and universities. For a fraction of their revenue, they can acquire the best heads to meet the demand for new products of daily use.

Corporations in the machinery industry will be probably improved by small robotic production units that have enough resources to cover the required demand. These small production units are going to be just a rare modification to the constant flow of universal production.

Usually, corporations in the machinery industry tried to manage the resources needed for their production, the actual production capacities, distribution channels and methods, customer service and repair centers. The conditions for cooperation were not always based on the win-win principle. Big brands were not afraid to use their power to achieve their objectives. Elimination of or damage to their competitors, manipulation with the market and market conditions, exploitation of labor force and massive campaigns towards potential consumers were and sometime still are typical for the behavior of corporations in the machinery industry.

Industrialization generally made it possible to lower the prices of various products and make them affordable for nearly everyone. Due to the optimal market and economic conditions, a number of consumers grow every year. The issue was that these large corporations in the machinery industry often forgot what the end user really needed and until the use of computerized CRM systems they made their products based on an imaginary idea of what the customer needed.

Corporations in the machinery industry are an inevitable part of our business world and they are far better than they used to be. They do not claim to dominate the minds of their employees; they forgot all about the idea of looking at the corporation's brand as some form of a new religion. They invested a lot of money to make working with standard machinery more attractive than ever before. Some examples include the use of modern computer-based production technologies; laser-based surface operations; CAD – CAM technology models or use of robots to increase the volume of production and its quality. Modern producers simply can't ignore the advantages of everything that makes mass production smooth and friendly for all its parts.

Apart from technical production, there are a number of administrative tasks supporting it. Special departments were established to maintain the supply chain, manage complicated production projects, drive marketing campaigns, ensure the quality parameters of production or to simply manage strategic issues. This administrative part of each and every corporation in the machinery industry is what makes the corporation successful. The brains, skills and experiences of these anonymous office employees and managers are the essence of victory or fail in today's world.

Modern corporations in the machinery industry have many new tools and techniques that help them make their production lines more efficient and effective. The untold truth is that the recipe for eliminating troubles with employee fluctuation, a lack of modern machinery skills, technology defects and other things from production is still missing.

Humans are part of production lines and they shouldn't be replaced by robots but they should be supported by them. Robots and high production technologies have to be humans' helpers, not their enemies. In the foreseeable future, robots will gain production capabilities but not invention skills. The next phase of industrialization is the plan for bringing highly skilled robots to factories and making humans more focused on controlling, managing and developing activities than ever before.

1.4.1 HISTORY OF FORD MOTOR COMPANY

The Ford Motor Company is a staple of American automotive manufacturing. The company was founded in June of 1903 when owner Henry Ford based operations in Dearborn Michigan. This was not Henry Ford's first introduction into the automotive industry as he had previously had ties to the Detroit automobile company that would be reorganized into the Henry Ford Company only to be bought by Henry Leland in 1902 to then be renamed once again to Cadillac. Ford Motor Company was incorporated in 1903 with a total of 12 investors making up 1000 shares for the entire company. The company started production with the Ford Model A and when the vehicle went up for sale the company had a total of $223 in the Ford bank account. The entire company rested on the success of the Model A, Ford and with its success Ford would go on to produce a total of 1750 vehicles through 1903-1904 with a starting price of $750. Vehicles such as the Model K and Model S followed with limited success.

Ford introduced their next model known as the Model T that started out being manufactured in a rented facility with parts that were made to order. In the first year of manufacturing of the Model T, 18,000 vehicles were delivered. With rising sales numbers the Ford Motor Company was in need to streamline its production process therefore creating the first assembly line for manufacturing. The Model T became one of the most iconic vehicles and was produced each year by the Ford Motor Company until 1927. Over those years, Ford had produced nearly 15.5 million Model T vehicles making the company one of the most successful auto manufacturers in the world.

In 1919, Henry Ford turned the company over to his son Edsel who oversaw the continued production of the Model T. Sales of the vehicle were still strong but competitors such as General Motors and Chrysler were offering customers newer design vehicles that offered more features therefore causing Ford to slowly lose part of its stake in auto manufacturing sales. In order to diversify Ford's vehicle lineup throughout the company, Ford purchased the bankrupt Lincoln motor company. The Lincoln vehicles were to be Ford's line of luxury vehicles. The Lincoln vehicles utilized Ford components yet the bodies of the vehicles were designed by custom coach builders.

In 1932, Ford introduced their first V-8 engine used in their Model Y in hopes to regain fledgling sales but in 1933 Ford dropped to the third-largest auto manufacturer behind Chrysler. The company was now in third but they still managed to build their 25-millionth vehicle by 1937. In 1941, Ford Motor Company started production of military hardware in order to help out the war effort. It was also this time that Ford had facilities in Germany which would lead to scrutiny as Henry Ford was noted to be in close collaboration with the German government. The collaboration with the German government fell through during the outbreak of the Second World War as the Ford Motor Company plants worked to produce B-24 bombers and Jeeps. Ford also built aeronautical engines for British fighters and bombers in its facility in Manchester, England.

In 1943, Edsel Ford lost his battle with stomach cancer leaving the now elderly Henry Ford to run the company. This proved to be a liability for the company so much that Henry Ford's family had to work in order to let Henry Ford resign on his position with Ford Motor Company thereby passing it to his grandson Henry Ford II. In the years that followed, Henry Ford II was supposed to turn around the company that was losing as much as $9 million a month. In 1946, the Ford Motor Company hired its first executive vice president Ernest Breech who had been the head of the aviation company Bendix. It was in 1948 that Ford introduced its first postwar vehicle for sale which was to be produced in its American and Australian facilities. The sales of Ford vehicles rose at a rate that placed the Ford Motor Company in second place ahead of the Chrysler Group.

In 1954, Ford introduced the iconic Thunderbird which drew much attention to the company. In 1956, Ford offered common stock and 10.2 million shares sold the first day. This amount of stock that was sold represented a 22% stake in the company. In 1960, Ford introduced the Falcon and in 1964 the Mustang was introduced with resounding success leading the Ford Motor Company to establish its European division. Ford was on track as sales were solid and the company was reaching out to international territories. Then came the 1970s.

The beginning of the 1970s proved to be profitable times for Ford. However, there were mishaps such as safety and quality concerns over Ford Pinto they would reflect negatively on the company. It was in 1973 when Ford reached its highest production numbers in its company history as it produced 2.35 million vehicles and started its Asia division. Several economic perils as well as the oil crisis caused many issues to American auto manufacturers and led them to downsize their vehicles for the sake of efficiency. It was in 1979 that Ford acquired a 75% stake in the Mazda Company. Mazda at the time had the ability to produce more efficient vehicles.

The 1980s proved to be successful years for the Ford Motor Company as it introduced several vehicles around the world. Notably the 1985 Ford Taurus and Aerostar were deemed radical by design, yet went on to be widely accepted by the general public. In 1988, the Ford Motor Company's worldwide earnings reached an all-time record for the auto industry at $5.3 billion. It was around the same time that Ford acquired Aston Martin and Jaguar. During the 1990s, the Ford Motor Company introduced popular vehicles such as the Explorer. In the following years, Ford also began selling vehicles in China where it established over 150 dealerships by 2005. Ford continued through the 1990s as well as the 2000s with its company focusing on engineering. It was in 2007 when the Ford Motor Company found itself in need of reorganization of its holdings in companies such as Aston Martin, Land Rover and Jaguar. These companies were sold off in 2007 and 2008 as well as Ford's holdings in Volvo in 2010.

Since then, we have seen the Ford Motor Company under the helm of Alan Mulally, formerly the Executive Vice President of Boeing, who restructured and consolidated the company in order to focus on vehicles that made up the majority of Ford sales globally. Today, we see Ford producing vehicles that are sold worldwide. The Ford Motor Company now employs over 160,000 individuals worldwide and continually sells over 2 million vehicles just in the American market annually. The history of Ford is neglected by many but should never be forgotten.[6]

1.4.2 HISTORY OF COCA COLA

Coca-Cola history began in 1886 when the curiosity of an Atlanta pharmacist, Dr. John S. Pemberton, led him to create a distinctive tasting soft drink that could be sold at soda fountains. He created a flavored syrup, took it to his neighborhood pharmacy, where it was mixed with carbonated water and deemed "excellent" by those who sampled it. Dr. Pemberton's partner and bookkeeper, Frank M. Robinson, is credited with naming the beverage "CocaCola" as well as designing the trademarked, distinct script, still used today.

The first servings of CocaCola were sold for 5 cents per glass. During the first year, sales averaged a modest nine servings per day in Atlanta. Today, daily servings of CocaCola beverages are estimated at 1.9 billion globally.

Prior to his death in 1888, just two years after creating what was to become the world's # 1-selling sparkling beverage, Dr. Pemberton sold portions of his business to various parties, with the majority of the interest sold to Atlanta businessman, Asa G. Candler. Under Mr. Candler's leadership, distribution of CocaCola expanded to soda fountains beyond Atlanta. In 1894, impressed by the growing demand for CocaCola and the desire to make the beverage portable, Joseph Biedenharn installed bottling machinery in the rear of his Mississippi soda fountain, becoming the first to put CocaCola in bottles. Large scale bottling was made possible just five years later, when in 1899, three enterprising businessmen in Chattanooga, Tennessee secured exclusive rights to bottle and sell CocaCola. The three entrepreneurs purchased the bottling rights from Asa Candler for just $1. Benjamin Thomas, Joseph Whitehead and John Lupton developed what became the CocaCola worldwide bottling system.

Among the biggest challenges for early bottlers, were imitations of the beverage by competitors coupled with a lack of packaging consistency among the 1,000 bottling plants at the time. The bottlers agreed that a distinctive beverage needed a standard and distinctive bottle, and in 1916, the bottlers approved the unique contour bottle. The new CocaCola bottle was so distinctive it could be recognized in the dark and it effectively set the brand apart from competition. The contoured CocaCola bottle was trademarked in 1977. Over the years, the CocaCola bottle has been inspiration for artists across the globe — a sampling of which can be viewed at World of CocaCola in Atlanta.
The first marketing efforts in CocaCola history were executed through coupons promoting free samples of the beverage. Considered an innovative tactic back in 1887, couponing was followed by newspaper advertising and the distribution of promotional items bearing the CocaCola script to participating pharmacies.

Fast forward to the 1970s when CocaCola's advertising started to reflect a brand connected with fun, friends and good times. Many fondly remember the 1971 Hilltop Singers performing "I'd Like to Buy the World a Coke", or the 1979 "Have a Coke and a Smile" commercial featuring a young fan giving Pittsburgh Steeler "Mean Joe Greene" a refreshing bottle of CocaCola. You can enjoy these and many more advertising campaigns from around the world in the Perfect Pauses Theater at World of CocaCola.

The 1980s featured such memorable slogans as "Coke is It!", "Catch the Wave" and "Can't Beat the Feeling". In 1993, CocaCola experimented with computer animation, and the popular "Always CocaCola" campaign was launched in a series of ads featuring animated polar bears. Each animated ad in the "Always CocaCola" series took 12 weeks to produce from beginning to end. The bears were, and still are, a huge hit with consumers because of their embodiment of characteristics like innocence, mischief and fun. A favorite feature at World of CocaCola is the ability to have your photo taken with the beloved 7' tall CocaCola Polar Bear.

One of the most famous advertising slogans in CocaCola history "The Pause That Refreshes" first appeared in the Saturday Evening Post in 1929. The theme of pausing with CocaCola refreshment is still echoed in today's marketing.

In 2009, the "Open Happiness" campaign was unveiled globally. The central message of "Open Happiness" is an invitation to billions around the world to pause, refresh with a CocaCola, and continue to enjoy one of life's simple pleasures. The "Open Happiness" message was seen in stores, on billboards, in TV spots and printed advertising along with digital and music components — including a single featuring Janelle Monae covering the 1980 song "Are You Getting Enough Happiness?" The happiness theme continued with "Open the Games. Open Happiness" featured during the 2010 Winter Olympic Games in Vancouver, followed by a 2010 social media extension, "Expedition 206" — an initiative whereby three happiness ambassadors travel to 206 countries in 365 days with one mission: determining what makes people happy. The inspirational year-long journey is being recorded and communicated via blog posts, tweets, videos and pictures.

Experts have long believed in the connection between happiness and wellness, and CocaCola is proud to have played a part in happy occasions around the globe.[7]

1.4.3 HISTORY OF VOLKSWAGEN

Founded in 1937 by Ferdinand Porsche, Volkswagen would translate as the "people's car" in German. The first Volkswagen was built to offer an inexpensive means of transportation to the general public. The German Labour Front was seeking production of a vehicle they could hold two adults and three children and would be able to reach a top speed of the least 100 km/h and cost around the same price as a motorcycle at that time. Though companies were working to produce an inexpensive alternative to vehicular transportation, none of the companies were able to reach a price that low with private industry workforce. In the early 1930s, Adolf Hitler sponsored the state-owned factory in order to produce the inexpensive means of transportation. The prototype became known as the KdF-Wagen and it was one of the first for wind-tunnel testing. By 1939, only 30 Volkswagen KdF-Wagens were built before the factory was converted to produce military vehicles to assist the German Military.

With many auto plant workers fighting on the frontlines of WWII, the manufacturing plant in Wolfsburg utilized slave labor. In 1945, the Allied forces seized control of the Wolfsburg plant and, even though it was damaged and in disrepair, an engineer named Ivan Hirst, a Major in the British Army, saved the factory and started production of Volkswagen Beatles to be used for such purposes as for the German postal service. There was a lack of transportation options and therefore the British military government placed an order for 20,000 vehicles to be produced. By 1946, the Wolfsburg plant that could produce 1,000 vehicles was still not fully operational. In 1947, the Volkswagen Beetle was first exported to other countries as an inexpensive alternative to transportation. By 1949, Volkswagen produced its 50,000th vehicle and 15% of its production was sold in the surrounding European market. During the same year, under the hands of the British military, Volkswagen was handed over. At the time of the handover, Volkswagen was employing 10,000 individuals and produced 4,000 vehicles monthly. Throughout the 1950s, Volkswagen entered North American markets where sales took off quickly.

Volkswagen soon started to introduce its Type II commercial vehicle that was suitable for various platforms such as a van, pickup, or camper. In 1953, the Volkswagen trademark was created by a Porsche engine designer, Franz Xaver Reimspiess. In the early 1960s, Volkswagen began to diversify its product lines with the introduction of Karmann Ghia (Type III). In 1964-1965, a subsidiary of Daimler-Benz called Auto Union GmbH was taken over by Volkswagen who turned it into a subsidiary to this day known as Audi.

The late 1960s and early 1970s saw the introduction of Volkswagen Type IV which came in various different models such as a coupe, sedan and wagon. In 1973, Volkswagen introduced the Passat which was a successor to the VW 1600. The following year, Volkswagen introduced several new models including the Scirocco, Golf and soon after the Polo. In 1973, the oil crisis affected auto manufacturers around the world including Volkswagen. In the following year, Volkswagen had to make an effort to downsize its workforce and, by October 1975, 32,761 employees no longer worked for the company. The upside for Volkswagen was the fact that they were producing small, affordable vehicles which helped keep sales boosted more than nearly all its competitors. In the 1980s, Volkswagen's slump in sales continued in the United States and Canada which resulted in the company redirecting its interest into developing countries and closing its Pennsylvania factory in 1988. By the 1990s, Volkswagen was starting to see gains in the company as well as some more vehicles in the North American markets. The Volkswagen CEO at that time, Ferdinand Piech, started to rapidly acquire auto manufacturers such as Lamborghini, Bentley, and Bugatti. Through the 2000s, Volkswagen continued to struggle in the American market as their vehicles did not receive very good ratings due to reliability issues. This caused Volkswagen to make many different changes to their vehicles in order to improve reliability and common issues. In 2009, Volkswagen purchased nearly 20% of Suzuki's issued shares and the two companies formed a strategic partnership. In 2011, Volkswagen opened the Volkswagen Chattanooga assembly plant in Chattanooga, Tennessee. The company plans to produce 150,000 vehicles annually and has the ability to produce Passats as well as Audis specifically tailored to the US market.

Today, Volkswagen manufactures its vehicles in over 15 countries and was named one of the world's 25 largest companies. The company now employs around 375,000 persons worldwide and produces over 4.5 million vehicles annually. Volkswagen is currently working on several different forms of power for its vehicles. The company is working with flexible fuel vehicles especially through its Brazil manufacturing, giving their vehicles the ability to run on petrol or ethanol. Volkswagen is introducing its first all electric vehicle by the name E-Up! Since the early 1960s, Volkswagen has had a role in competitive auto racing and continues to compete in such races as the World Rally Championship and Dakar. It is also said that in 2018 Volkswagen is considering having a race team ready to enter Formula One.[8]

1.4.4 HISTORY OF STANDARD OIL

The Standard Oil Trust was formed in 1863 by John D. Rockefeller. He built up the company through 1868 to become the largest oil refinery firm in the world. In 1870, the company was renamed Standard Oil Company, after which Rockefeller decided to buy up all the other competition and form them into one large company.

The company faced legal issues in 1890 following passage of the Sherman Antitrust Act. That also brought unwanted attention to the company by Ida M. Tarbell, a McClure's Magazine reporter, who began an investigation. Following publication of her report, the Standard Oil Company was forced to break up into separate state companies — the "Seven Sisters" — each with its own board of directors.

The Standard Oil Trust had quickly become an industrial monster. The trust had established a strong foothold in the U.S.A. and other countries in the transportation, production, refining, and marketing of petroleum products.

Early on, Rockefeller and partners attempted to make money on the home lighting market, converting whale oil to kerosene. Gasoline had been nearly worthless up to 1911. However, with a growing demand for "juice" needed to power the newly emergent automobile, Standard Oil Trust's moneybags began to bulge.

The Trust broke up in 1911, which led to the skyrocketing of the trust's stock prices. Some historians contend that the breakup of Standard Oil closely resembles the more modern monopoly breakup of AT&T and the Bell telephone system.

Like the telephone industry's "Baby Bells," many of big oil's "Baby Standards" kept the old company name as they went into business for themselves. However, if a company separated on its own, it was restricted from using the "Standard" brand. Just as Bell had accomplished later on in its history, the Standards soon rose up to dominate the market, becoming more valuable than the original trust.

More and more Standard Oil companies were becoming common across the country, without the venerable Standard name — often adopting the names of smaller oil companies they purchased. With national attention in the form of mass-advertisement underway, other Standards expanded into those same marketing areas. That resulted in various Standard organizations "at war" in an all-out battle for turf and the consumer.

Standard Oil was declared a monopoly following several ugly court battles, which eventually broke up the dynasty. Many company assets had to be divided among the companies. One of those was the nationally recognized "Standard" brand name. The smaller emerging oil companies generally used the popular "Red Crown" and "White Crown" labels - without displaying the Standard label.

When ethyl alcohol became available as an additive to gasoline, most Standards adopted it. That new form of petroleum contributed to increasing benchmarks of excellence for those newly forming fuel stations. The new ethyl product increasingly helped such Standard companies as Vacuum's Mobiloil, as well as Esso Motor Oil's worldwide distribution.

In 1930, the former Standards banded together to form the Atlas Corporation, which stormed into the manufacture of Tires, Batteries, and Accessories (TBA). Those products were then distributed to Standard Oil and Standard-related stations of all denominations, from the Pacific to the Atlantic.

Prior to 1911, Standard Oil's operations outside of the U.S. were controlled by Standard Oil Company of New York (Socony), or Vacuum Oil Company. The actual ownership of Socony's overseas interests rested with Standard Oil of New Jersey for accounting purposes. After the breakup, Vacuum Oil kept its overseas companies. Standard Oil of New Jersey found itself having to manage Socony's former properties. Jersey Standard rose to the challenge and is still the primary user of the Standard name outside of the United States.

Today, many other Standard companies that use other names other than Standard include: Esso, Indiana Standard (Amoco, American, Stanolind, Pan-Am), Standard Oil of New York (Socony, Vacuum, Mobil); California Standard (Chevron, Calso, Socal, Caltex); and Ohio Standard (Sohio).[9]

By providing short descriptions of the roots of various corporations, I wanted to demonstrate the key drivers or influential entities. Changes happen every day and that is why such stable and traditional parts of industrial and post-industrial revolution are affected by them as well.

The new era of coal mines will be driven by the consumption of coal a source of energy or its industrial use. Film makers will decide what films they would like to produce and show to their global audience and machinery companies will make internet of things a constant part of their production and service facilities.

2 GLOBAL MINDSET OF CORPORATIONS

Corporations are special species in the global business world. However, even corporations live according to the principles of evolution or natural entropy. It means that large corporations are sometimes trapped inside their own selfish groupthink. The trap of groupthink is visible when a large legal entity starts to eliminate the critical way of recognizing its own importance, influence or financial power.

All large business entities are driven by two main streams which are expansion and strengthening of their market positions.

Expansion is an unconditional need for all business entities. It is an important factor for all successful companies. Expansion might have several facets such as new production facilities outside mainland countries, new deals with high-performing marketing and communication companies, creating a positive image or expanding product or service portfolio. All these parameters are the essence of growth in each and every industry.

Expansion of global corporations has certain physical limits. These include the overall global population volume, pre-calculated consumption per head and the limited number of financial resources available in each region and on every continent. Because there are only a limited number of really global companies which are active in essential areas such as telecommunication, pharmaceutics, software development, entertainment, car industry, transport facilities, food processing and information technology hardware.

Every truly global company has the ambition to create its own empire with full managerial control of chain supply resources and potential output consumption by end users.

Strengthening of market positions is another significant and very visible parameter applicable to all global corporations. The sale of products or services requires public awareness of these commodities and their availability on the market. This awareness is normally secured by specialized marketing companies. Corporations have sufficient financial and other resources to be able to use most influential channels leading straight to their potential customers. Recent misuse of Facebook personal data to manipulate the political campaign in the United States of America might be seen as an example of use the informational power of big corporations.

Marketing and sales create an unavoidable joint venture where one side of this partnership boosts the other. Modern marketing tools such as internet-based targeted campaigns using the known or predicted preferences of end users are going to be more accurate in the foreseeable future. Global corporations will have the opportunity to secure the best people and technical resources to meet their strategic plans in this area.

Big corporations have a special method of management. Some prefer central unification where headquarter instructions, requirements and operational targets are simply flowing down to the reporting lines; the affected units, departments of regional management with responsibility for cluster countries. In this situation, discussion is unexpected and unwanted. Such corporations are very directive and straight. Similarly to the Army structures, they believe in the power of decision-making process concentrated in the several managerial heads on the group management level.

2.1 FORD MOTOR COMPANY

An example of this communication and management style is the Ford Motor Company with Robert McNamara as CEO. After graduating from the University of California, Berkeley, in 1937, McNamara earned his degree at the Harvard Business School (1939) and later joined the Harvard faculty. Disqualified from combat duty during WWII due to poor vision, he developed a logistical system for bomber raids and a statistical system for monitoring troops and supplies.

After the war, McNamara was one of the "Whiz Kids" hired to revitalize the Ford Motor Company. His plans, including the institution of strict cost-accounting methods and the development of both compact and luxury models, met with success, and McNamara rose rapidly in the corporate ranks. In 1960, he became the first person outside the Ford family to assume presidency of the company.[10]

Managers at any level of an organization would be wise to take a page out of military officers' books. That doesn't necessarily entail ordering your reports to drop and give you 20 every time they're late. Instead, it means always putting your team's interests above your own.

So says management theorist Simon Sinek explaining how leaders can create a company culture of trust and cooperation. "In the military, they give medals to people who are willing to sacrifice themselves so that others may gain. In business, we give bonuses to people who are willing to sacrifice others so that we may gain. We have it backwards," he quips.

But moving ahead at the expense of others teaches your subordinates to do the same, to the detriment of the organization as a whole. That's because employees spend time competing with and fearing each other instead of joining forces and protecting the company from external threats.

A truly effective leader knows to put her employees' well-being before her own, so that her employees ultimately do the same for her and for the organization.

"When a leader makes the choice to put the safety and lives of the people inside the organization first, to sacrifice their comforts and sacrifice the tangible results, so that the people remain and feel safe and feel like they belong, remarkable things happen," Sinek says.[11]

2.2 BATA SHOE COMPANY

On the other hand, the opposite style is also possible. The Bata Shoe Company ruled the world of shoe manufacturing for long decades. Originally established in a small city of Zlín, Czechoslovakia (now Czech Republic), the Bata factories became well known for their great production outputs, organization and management style and the way how the global empire operated. Bata managers believed in a great degree of independency and their regional management had to cope with assigned targets with very little support from the headquarters.

Thanks to the careful selection of top leaders and managers, the independent style of the Bata Shoe Company management was a success. The secret rests in a collectively shared vision for all production units and manufacturing centers.

A previous analysis indicates and proves that many of the principles of organization in Bata have not lost their value, and it is not likely this will ever happen. On the contrary, the Bata organization will gain greater significance over time because the values that have been established and practically confirmed will be given greater significance in the future. This is because the Bata organization was established based on a natural law, which is eternal and does not change from case to case depending on one's mood. It proves that nothing will arise from nothing, but that everything must have a cause, and that everything must arise from something. Bata's organization was based on work, innovation, organization, and a strong concept of socialization.

Bata's organization was built on the values of work, responsibility and integration of the employees in the economic units, the integration of economic units and the plant level as a whole, and their connection with the environment in which they operated. That is why Bata is a typical example of a management style in which roles are clearly divided, and everyone knows the hierarchy and responsibility.

Bata's organization is by all criteria based on the modern socialization of the organizational concepts where the basic mechanism represents decentralization, especially when it comes to manufacturing circles, or economic units, which in modern terms correspond to profit centers. It is necessary to say that Bata was, above all, a host. For modern business, this statement is important because there are many highly educated people who have completed well-known business colleges in the world and have a diploma in business management but do not have a sense of home or do not have enough knowledge of the host, i.e. the real economy. Business schools teach future managers quantum finance, stock brokerage and speculation, consumer and other unethical activities, while the host economics is almost "expelled" from the theory and practice of management. In such circumstances, the crises are inevitable as the results of primarily managing companies in a hostile way. Bata is an example from which current and future organizations can learn how to do business.[12]

2.3 MANAGEMENT STYLES

According to Hay-McBer there are six key leadership or management styles.

DIRECTIVE

The DIRECTIVE (Coercive) style has the primary objective of immediate compliance from employees:

- The "do it the way I tell you" manager
- Closely controls employees
- Motivates by threats and discipline

Effective when:

- There is a crisis
- When deviations are risky

Not effective when:

- Employees are underdeveloped – little learning happens with this style
- Employees are highly skilled – they become frustrated and resentful at the micromanaging.

AUTHORITATIVE

The AUTHORITATIVE (Visionary) style has the primary objective of providing long-term direction and vision for employees:

- The "firm but fair" manager
- Gives employees clear direction
- Motivates by persuasion and feedback on task performance

Effective when:

- Clear directions and standards needed
- The leader is credible

Ineffective when:

- Employees are underdeveloped – they need guidance on what to do
- The leader is not credible – people won't follow your vision if they don't believe in it

AFFILIATIVE

The AFFILIATIVE style has the primary objective of creating harmony among employees and between manager and employees:

- The "people first, task second" manager
- Avoids conflict and emphasizes good personal relationships among employees
- Motivates by trying to keep people happy

Effective when:

- Used with other styles
- Tasks routine, performance adequate
- Counseling, helping
- Managing conflict

Least effective when:

- Performance is inadequate – affiliation does not emphasize performance
- There are crisis situations needing direction

PARTICIPATIVE

The PARTICIPATIVE (Democratic) style has the primary objective of building commitment and consensus among employees:

- The "everyone has input" manager
- Encourages employee input in decision making
- Motivates by rewarding team effort

Effective when:

- Employees working together
- Staff have experience and credibility
- Steady working environment

Least effective when:

- Employees must be coordinated
- There is a crisis – no time for meetings
- There is a lack of competency – close supervision required

PACESETTING

The PACESETTING style has the primary objective of accomplishing tasks to a high standard of excellence:

- The "do it myself" manager
- Performs many tasks personally and expects employees to follow his/her example
- Motivates by setting high standards and expects self-direction from employees

Effective when:

- People are highly motivated, competent
- Little direction/coordination required
- When managing experts

Least effective when:

- When workload requires assistance from others
- When development, coaching & coordination required

COACHING

The COACHING style has the primary objective of long-term professional development of employees:

- The "developmental" manager
- Helps and encourages employees to develop their strengths and improve their performance
- Motivates by providing opportunities for professional development

Effective when:

- Skill needs to be developed
- Employees are motivated and wanting development

Ineffective when:

- The leader lacks expertise
- When performance discrepancy is too great – coaching managers may persist rather than exit a poor performer
- In a crisis[13]

Overall mindset of corporations is based on the assumption that it is a privilege to cooperate with them. Corporations look at themselves as truly unique and this is the reason why they create multiple bonds with their subordinated suppliers.

Nowadays, corporations have adopted various styles of achieving their goals and there is a strict distinction between them. Therefore, any kind of generalization is nearly impossible. We can summarize it by closing this topic with the following statements:

- Corporations thinks really globally
- Corporations have special measures
- Corporations require splendid internal communication channels
- Corporations require standardization systems of supply and production management
- Corporations need to pay attention to local business legacy and traditions
- Corporations are powerful but their power depends on the quality of management
- Corporations may serve as master examples for followers and competitors
- Corporations use and adopt innovative technologies
- Corporations plan really carefully

The corporate mindset is the natural outcome of their strong market position and elimination of head-to-head competitors. There are always some competitors but they are carefully monitored and observed because they are vital to the health of the market.

Large corporations dominate their special market segment and diversify their product or service portfolios by acquiring smaller independent companies. Due to their enormous financial power, large corporations are able to negotiate win-win deals.

One of the key conditions is breaking the traditional cradle. This term is associated with the strict family relationships (Ford Motor Company needs to be led by some member of the Ford family) or regional tradition (only people in Zlin know how to manage a shoe business). Once any corporation is willing to accept the fact that it needs to absorb each talent that is beneficial for its own progress, then such a corporation becomes great. Brutal exploitation of human and intellectual resources is a key feature which may distinguish successful corporations from corporations based only on tradition.

3 CORPORATION INFLUENCE

On 4 July 2017, Dr John Mikler, associate professor in the Department of Government and International Relations at the University of Sydney, addressed AIIA NSW on "The Influence of Global Corporations". He sketched the dramatic rise in their number since 1970 – by 2012 there were some 100,000 businesses which could be described as international, multinational, trans-national or global.

But calling them "global" obscured the fact that these businesses remained embedded in the nation state. The United States, Britain, some European countries and, increasingly, China were the base of operations for most of them. Some 85 per cent were based in the top ten economies. Half of existing market leaders were American, while half of the newer players were Chinese. Between 50 and 60 per cent of their sales, assets and employment were in their home countries. Staff remained predominantly national at all levels, including the most senior.

Behind the scenes, the "global" corporations worked closely with their home governments. These governments exercised considerable efforts to secure the interests of their companies, for example in trade access negotiations. The lobbying powers of the dark lords of international business were prodigious. There was significant intermeshing between the corporations and their governments; former MPs were typically among their board members.

They also achieved an ideological dominance in discussion of the international economy. Their discursive power – through the media, academic discourse and political debate – meant that people perceived no alternative to their growth and dominance. They promoted the imagery of free markets and global access when in reality their dominance depended on crushing real market forces and excluding smaller competitors. An example was there being essentially only two kinds of mobile phone system, Android and Apple.

Their focus was largely regional rather than truly global – China dominated in the Asian region, Britain and the US in Europe. Mergers and acquisitions reflected this focus. Five major corporations dominated most markets. Their economic power was greater than that of at least 150 individual countries. The largest of these firms became "too big to fail": governments came to their rescue, as occurred in the global economic crisis of 2008.

International free markets were therefore something of a chimera. Global corporations largely tended to reinforce the power of their respective nation states. They relied not on competition but on control. Better international regulation was needed in order to balance their power with wider considerations of equity, economic progress and international cooperation.[14]

The large multinational corporations of the 21st century are a relatively new phenomenon. Studying the historical context of the last four centuries clearly illustrates the rise of the large corporation in society and the conditions that allowed for this to happen.

The largest and most influential organizations up through the seventeenth century were the church and the state in Europe. Both the church and the state, two organizations that were often effectively merged, threatened by the rise of large corporations, managed to limit corporate power by establishing legal barriers, which restricted corporate growth. This started to change in the 18th century, when project specific corporate charters were given to corporations, especially in the U.S. where a weaker federal government allowed state governments to issue corporate charters. However, the ability of organizations to grow was limited due to their project-specific existence, the finite duration of corporate charters, and the difficulty of concentrating large amounts of capital in the then existing legal forms of partnerships and joint-stock companies in the absence of a developed financial system.

This changed in the U.S. when states, beginning with Connecticut in 1837, made incorporation generally available by mere registration; no longer was a special charter from a state legislature needed, and all special charter needs disappeared by 1870. This was preceded by the Supreme Court's infamous 1819 'Dartmouth decision'. With that decision corporations, like people, were given private rights and state control over corporations was made very limited. In the same year, another decision that allowed corporations to grow was the ruling to make owners of corporations not subject to imprisonment for debts, even if as individuals they could be sent to jail for much smaller amounts of debt. The concept of 'limited liability' was born.

That same year, a third decision came to further allow corporations to gain power, over employees this time. A ruling declared that the federal government acted for the people directly, and its laws would prevail over the laws of any state in regards to corporate conduct. As the federal government barely existed at that point, the economy was left essentially unregulated.

Interestingly, as documents, this legal revolution was not accidental. At the turn of the 18th century, the lawmakers that instituted these legal changes came from a tiny cohort of elite college graduates. Judges, who did not use to be lawyers before then, now almost exclusively came from this elite group. The law profession grew and became inundated with members of entrepreneurial families who could afford to send their son to law school. Judges assumed more power over legal matters by gradually determining that juries could only rule on matters of fact, not law, and they could not violate the instructions of the judge. Some landmark subsequent decisions tilted the balance of power towards the owners of corporations and away from employees and communities. In 1824, courts announced the doctrine of 'contributory negligence'; the failure to put a guard rail was inconsequential because the employee was negligent in being too close to the machinery when cleaning it. In 1842, it was ruled that if the killed or injured employee was not negligent then it was the fault of his fellow worker but not of the employer; the 'fellow servant' rule. In 1839, externalization of costs from corporate activity was legitimized; a judge in Kentucky ruled that trains could run through Louisville, despite the noise and pollution caused, because so necessary were the "agents of transportation in a populous and prospering country that private injury and personal damage must be expected".

These legal precedents set the stage for the increasing concentration of economic activity in a few large corporations, which was documented in the early 20th century. This concentration continued throughout the 20th century, assisted by the wave of globalization. As of the end of 2012, just 1,000 corporations were responsible for half of the total market value of the world's more than 60,000 publicly traded companies. Consider how quickly this situation has emerged. In 1980 the world's largest 1,000 publicly listed companies made $2.64 trillion in revenue, or $7.0 trillion in 2012 dollars, adjusted using the consumer price index. They directly employed nearly 21 million people and had a total market capitalization of close to $900 billion ($2.4 trillion in 2012 dollars), or 33 percent of the world total. By 2012, the Global 1000 made $34 trillion in revenue. They directly employed 73 million people, hundreds of millions in their supply chains, and had a total market cap of $28 trillion. These companies and their supply chains have an enormous potential to confer both good and ill on society. They create goods and services for customers, wealth for their shareholders, and jobs for millions of people. They also consume vast amounts of natural resources, pollute local and global environment at little or no cost, in the case of large financial institutions they throw economies into recessions due to poor risk management, and, in some cases, hurt employees' well-being if wages and working conditions are inadequate.

This great concentration of economic activity makes clear that the Global 1000 affects billions of people around the world. For example, Philips, the Dutch diversified industrial giant, estimated that it 'improved' the life of 1.7 billion people in 2012 through its products. Dow estimates that it is consuming, on a daily basis, as much energy as Australia. Between 1995 and 2010, efforts to improve Dow's environmental performance resulted in energy savings that could power all residential buildings of California for 20 months. Royal Dutch Shell and Wal-Mart booked sales of $454 billion and $447 billion respectively in 2011. Out of 206 countries recognized by the United Nations, only 26 had nominal Gross Domestic

Product (GDP) higher than these sales numbers. Deutsche Bank held $2.8 trillion in assets in 2011. Gazprom spent more than $48 billion in capital expenditures in 2011 and Toyota more than $10 billion in research and development. For comparison, only 16 countries spent more than $10 billion in research and development.

The Global 1000 are now able to exercise incredible power over employees, suppliers, customers, and even regulators. Consider for example the extraordinary concentration of food supply in just a handful of multinationals. Nestle, Kellogg's, General Mills, Pepsico, Kraft, Unilever, and Procter & Gamble comprise a group of consumer goods giants that control the dietary lifestyles of consumers and have been accused of consciously contributing to the increasing problem of obesity. Or consider that at the end of the first decade of the 21st century, DuPont and Monsanto together dominated the world seed markets for maize (65%), and soya (44%). Monsanto controlled more than 90 percent of the global genetically modified (GM) seed market. Three companies, ADM, Cargill, and Zen Noh, handled over 80 percent of U.S. corn exports. Similarly, through a series of mergers and acquisitions in the 1980s, and continuing through today, the U.S. media industry is now dominated by six large conglomerates: Comcast, Walt Disney, News Corp, Time Warner, Viacom, and CBS. These companies are estimated to control 70 percent of cable broadcasting. Time Warner alone is estimated to transmit news to 178 million unique users every month.

Corporate power is a function of size for several reasons. First, larger companies are able to affect the political process through lobbying. A long literature documents the effect of lobbying by large corporations on political outcomes. Second, larger companies are able to shape consumer preferences through spending large amounts of money on advertising. Third, larger companies are able to exercise more power over employees and establish new labor practices, especially in areas with high unemployment and as a result few outside options for employees. Foxconn, the Chinese manufacturer which has been repeatedly criticized for its labor practices, is still a preferred employer among Chinese workers. More generally, large corporations have been shown to shape culture and society by establishing hierarchies and as a result imposing a power structure in society.

The hypothesis that size is associated with power is consistent with larger companies having higher profitability margins, such as Return-on-Equity, experiencing slower mean reversion in profitability, and increasing more their profitability margins by the development of the financial system.

However, the people that the Global 1000 reaches, through its operations and products, have a diverse set of interests in their roles as employees, consumers, investors, and community members. Consumers want high quality products at reasonably low prices. Employees want job security coupled with fair compensation. Investors want a good return on the money they invested in the company. Local communities want an undisturbed environment and some compensation for giving the company a license to operate in their area. The larger a company the more diverse are the interests of the different stakeholders. For example, a company that produces locally and sells in the same geographic region is likely to find its stakeholders have aligned interests since many of its customers will be part of the local community and also potentially employees. However, in the case of an oil and gas company that extracts oil in Equatorial Guinea and sells downstream in the US the interests of customers, employees, suppliers and local communities are likely to diverge significantly. It should come as no surprise then that as a company becomes larger and exercises more power over individuals with a greatly diverse set of interests, conflict erupts between the individuals that wield the power and those subject to it. As there is a continuous desire for power, there is also a continuous desire to make that power the servant of the individuals affected.

As we will see in the next section, it is readily observable across the world that, in varying degrees of intensity, civil society is trying to subject corporate activities to a test of public benefit. And with just a few corporations comprising most of the economic activity, it has become easier to locate and hold them accountable for their effects on society. However, the ability to locate a corporate actor is a necessary but not sufficient condition for civil society to increase pressure on corporations, especially given the largely trans-national nature of the Global 1000 corporation. Civil society must also have the resources and capability to exert this pressure. By looking at the data, we can see that national and trans-national nongovernmental organizations (NGOs) representing civil society have grown in power and influence. NGOs in 26 countries account for 31 million employees, or almost 7 percent of the total workforce of those countries. Annually, NGOs in these 26 countries spend about $1.2 trillion, almost as much as the largest 1,000 companies of the world spend in capital expenditures. In emerging economies, such as India, Brazil, and the Philippines, where traditionally local NGO presence was weak, more than 200,000 NGOs were registered in 2007.

As result of their expanded financial and human resources, NGO campaigns against specific corporations or against whole industries are becoming more sophisticated and more effective. These campaigns can have a significant effect on a company by damaging its brand and decreasing its social capital. Many of them have prompted regulatory actions that have affected the cost of doing business, while others have shifted customer attitudes, thereby affecting companies' revenues. At the extreme, they have put the license to operate of companies or even entire industries at risk.

In addition to large financial and human resources that have increased campaign effectiveness, two other trends have allowed NGO campaigns to become more effective. One is information technologies, such as the internet and social media, which allow fast, low cost, and wide dissemination of information. The ability to quickly and cheaply disseminate information has enabled NGOs to inform people around the world about their campaigns and to mobilize large numbers of people to participate in protests and boycotts. The second is the 'trust premium' enjoyed by NGOs. In many public opinion surveys, NGOs are ranked as one of the most trusted institutions in society, with this trust premium increasing over time as trust in business and government have declined.

While the Global 1000 is increasingly under pressure to assume responsibility for its societal impact, accountability for corporate conduct is rarely asked by the shareholders of the Global 1000. Shareholders are hard to locate and be held accountable due to dispersed ownership structures and the surrendering of control of these corporations. As of 2011, the ten largest institutional investors in the world collectively held 27.1 percent of the outstanding shares, on average, across Global 1000 companies. None of these investors holds more than five percent in any of the companies and few if any would qualify as active investors that engage and affect the management of the operations of the Global 1000; rather they are passive owners that tend to view equity holdings as temporary investments. The rest of the shareholder base is widely dispersed with none of the investors holding more than one percent of the outstanding shares.

The separation of ownership and control has allowed shareholders to detach themselves from the responsibilities of a corporation to society. For example, there are hardly any cases I am aware of in which investors were heavily criticized and held accountable for the behavior of their investee. Rather the corporation itself and the senior management are held accountable for the actions of the corporation. In contrast, investors are able to trade their shares in liquid markets and tend to do so quite often. The average holding period has fallen between one and three years in the largest stock exchanges over the last two decades. For instance, in the 1980s, the average holding period in the New York stock exchange was over 5 years, compared to 5 months in the late 2000s (OECD, 2011).

The combination of larger corporations that exert more power over society and the separation of ownership and control led to shareholders surrendering their right that the corporation should be operated for their sole interest. In the words of Walter Rathenau (1918),"the depersonalization of ownership, the objectification of enterprise, and the detachment of ownership from the possessor leads to a point where the enterprise becomes transformed into an institution which resembles the State in character". While acknowledging that the stripping away of control from a shareholder's property right is essential to the creating of a liquid and freely tradeable market for shares, he went one step further, suggesting that giant corporations could only survive if they would serve the community's interests. It is conceivable, indeed it seems almost essential if the corporate system is to survive, that the 'control' of the great corporations should develop into a purely neutral technocracy, balancing a variety of claims by various groups in the community and assigning to each a portion of the income stream on the basis of public policy rather than private cupidity. As they pointed out, the farmer is "married" to the horse, and needs the horse to thrive along with the farm and the surrounding community. A disinterested shareholder ownership of the farm does not obviate the pre-existing goals of the interdependent and thriving horse, farm, and community.

While economic activity was beginning to concentrate in a small group of companies many decades ago there are still important differences that have led the large corporations of the early 21st century to assume more responsibilities compared to the large corporations of the 20th century.

First, the large corporations of today are much larger than they were even twenty or thirty years ago; on an absolute basis, their scale is multiple times what it was in the past.

Second, their reach is significantly more global than it was before. As a result, their impact transcends national boundaries and makes the world more interconnected.

Third, there is incredibly more information available about corporate behavior, as compared to a few decades ago. Information technologies, in particular the internet and social media, have equipped civil society with very effective means to mobilize and counteract the power of the Global 1000.

Fourth, civil society has become increasingly sophisticated in collecting, analyzing, and interpreting data about corporate behavior. To match the increasing concentration of corporate power, NGOs have also experienced increasing concentration in power, with one percent of NGOs generating about 85 percent of the revenues to the non-profit sector in the US.

Fifth, while in the early 20th century there was a discussion of companies' social responsibilities, no mention was made of resource scarcity and planetary effects such as climate change. The combination of concerns about social responsibility, resource scarcity, and planetary effects further exacerbated pressure on large companies to serve the interests of society.

The implication from the discussion in this section is that the largest companies would exhibit higher environmental and social performance in terms both of managerial commitments but also observable organizational outcomes. The next section describes the increasing corporate involvement in sustainability issues and tests the relationship between firm size and environmental/social performance.

Environmental and social considerations are taking central stage in corporate agendas. The concepts of social responsibility, resource scarcity, and planetary effects culminate in the term 'sustainability.' While there are many definitions of sustainability, broadly speaking it represents a portfolio of environmental, social, and governance (ESG) considerations upon which company performance can be evaluated. For example, in the 2010 UN Global Compact – Accenture CEO study 81 percent of the respondents stated that sustainability issues are now fully embedded in the strategy and operations of their organization. A joint study in 2012 by the Boston Consulting Group and the MIT Sloan Management Review found that nearly 50 percent of the companies surveyed had changed their business model as a result of sustainability, a 20 percent jump over the previous year. Reflecting the rapid adoption of sustainability practices, many companies have established a new C-level executive position for sustainability officers (e.g. AT&T, Blackstone, BT, Dow Chemical, Nestle, SAP, Siemens, Unilever, among many others).

Furthermore, the exponential growth of sustainability reporting, as well as integrated reporting, suggests the increasing acknowledgement that corporations should be accountable for their societal impact. For example, while only 26 firms issued a sustainability report in 1992, this number grew to 5,162 by 2010. As of 2012, more than 6,000 corporations issued sustainability reports. The significant number of increase in reporting entities post 2000 can be partly attributed to the work of the GRI. GRI released an 'exposure draft' version of the Sustainability Reporting Guidelines (SRG) in 1999, the first full version of the SRG in 2000, and the second full version at the World Summit for Sustainable Development in Johannesburg in 2002, where the organization and the Guidelines were also referred to in the Plan of Implementation signed by all attending member states.

The theory articulated in the previous section suggests that size would be a first-order determinant of sustainability commitments across organizations. I tested this prediction using data from Thomson Reuters ASSET4. This data has been used in number of previous studies. Table I uses as dependent variables the social and environmental scores assigned to each company by Thomson Reuters. The data points that comprise these scores are categorized as either "drivers" or "outcomes." Drivers "track policies that cover issues such as emission reduction, human rights, and shareholder rights" whereas outcomes "track quantitative results such as greenhouse gas emissions, personnel turnover and highest remuneration package".

One implication of this analysis is that the 'corporate size' theory dominates alternative theories such as the 'luxury good' theory (Hong et al. 2011). Firm size appears to be a very important determinant of firms' social and environmental commitments. In contrast, firm performance appears to have been a relatively less important determinant. This is consistent with the idea that the world's largest corporations are more subject and responsive to civil society's demands. At this point, a conversation is warranted about whether sustainability has a positive, negative, or irrelevant effect on future financial performance. If it is the case that sustainability destroys financial value, then an implication from the previous discussion is that large firms are at a competitive disadvantage compared to smaller competitors. A vicious cycle would ensue, in which large firms would be overtaken by smaller companies, with these smaller companies endangering their competitiveness as they become larger and engage in sustainability issues. From a firm competitiveness perspective, being and remaining small would be a good thing.

The evidence seems to support a positive relationship between sustainability and future financial performance. Very little evidence exists to suggest that sustainability can be an impediment to corporate profitability. In contrast, evidence is emerging that under certain conditions 'sustainability pays.' For example that in intabulated results I include in the model, as a determinant, the natural logarithm of net income to test whether firms that have shareholders with "deep pockets" tend to have higher environmental and social scores. I find that this variable increases the explanatory power of the model only by 0.5 percent. Industries where firms extract large amounts of natural resources, compete on the basis of brand and reputation, and have customers the end consumer, firms that had integrated environmental and social policies outperform their competitors in the long-run. More generally, a firm's value creation process is dependent on six capitals: natural, human, financial, physical, intellectual and social. The contribution of sustainability to future financial performance depends on how sustainability affects the quality of these capitals. The neutral to positive relation between sustainability and financial performance suggests that large firms are not at a competitive disadvantage relative to small firms.

Because I have concentrated the discussion on the rise of the Global 1000 as an explanation for the increasing corporate commitment to sustainability, I am going to focus on opportunities for research that are relevant to the Global 1000. As a result, I will not discuss research areas that are very worthwhile but apply to smaller organizations, such as entrepreneurship, social entrepreneurship, and hybrid organizations. Moreover, I will take as given that corporations are managing and reporting on sustainability issues and as a result, I won't ask the question of whether they should be doing so.

Therefore, I adopt a positive rather than a normative approach. I start with questions about what companies actually do and how to define the materiality of the different sustainability issues for future company profitability. Having established what corporations do, I proceed to discuss how they can do it, specifically addressing issues of organizational design in terms of incentive and control systems. The next set of questions revolves around corporate reporting: how a firm communicates what it does and how it does it. Finally, I discuss the role of investors and how they can use the reported information.

A corporation affects society in a myriad of ways. As a result, the set of sustainability issues that a corporation faces can be overwhelming. These issues often include concerns around climate change, product safety, corruption, biodiversity, human rights, and political lobbying, just to name a few. Different stakeholders place more or less importance on different ESG issues and consequently lobby executives on different issues. This raises the real need for a company to narrow the set of sustainability issues and prioritize them based on their materiality.

Materiality can be thought as a measure of corporate impact on society for a specific sustainability issue. Under this line of thinking, climate change is a material issue for oil and gas firms. Human rights are a material issue for apparel manufacturers. Corruption is a material issue for extractive companies. Customer health and safety is a highly material issue for pharmaceutical companies. This is currently the thinking behind the Global Reporting Initiative (GRI), and guides its disclosure framework. From a societal perspective, one would want transparency on any issue that the company is having a large impact, independent of whether that impact will affect a company in the long-term. This definition of materiality poses no requirement that there is a relation between sustainability and financial performance.

Another layer can be added to the concept of materiality if it is defined as a measure of corporate impact on society for a specific sustainability issue that will eventually have an economic impact affecting the long-term financial performance of the company. This is currently the approach followed by Sustainability Accounting Standards Board (SASB), which requires evidence of economic impact in order for a sustainability issue to be deemed material. This definition of materiality imposes a requirement that an environmental or social issue can have a significant impact on a firm's long-term financial performance. An example that illustrates the difference between the two approaches is orphan drugs in the pharmaceutical industry. While rare diseases are obviously a societal issue that is of grave interest to patients, their families and many more people, there is little evidence to suggest that pharmaceutical companies that fail to invest and develop orphan drugs are impairing their long-term competitiveness.

Due to the lack of clear guidance for what is material in the realm of sustainability, some companies have attempted to determine this for themselves through stakeholder engagement. This process may be used to build a materiality matrix, with one dimension being importance for the company and the other being importance to society. For example, telecommunications giant Telefonica has identified "Privacy and data protection" as very important for both company and society. In contrast, "Responsible marketing" is of higher importance for the company rather than society. "Environmental protection" issues are more important for society rather than the company. "Diversity" scores low for both society and the company.

The data that are generated from these materiality matrices can be used to answer fundamental questions about which societal issues corporations are grappling with.

First, how reasonable is the assumption of SASB that sustainability standards should be industry-specific? Is there a strong consensus among firms in the same industry about the materiality of sustainability issues? Or do country and firm specific factors create significant disagreement?

Second, how do firms respond to issues identified as important only for society but not for the company? Do they place less importance on these? Answering these questions would provide insights on which materiality definition companies subscribe to.

The design of incentive and control systems has a long history in management accounting. While we know a fair amount about how firms design these systems to achieve financial goals, there is almost no research on how companies design systems to achieve sustainability goals. There are some key differences between financial and sustainability goals that might give rise to important differences in system design. The availability and quality of sustainability metrics is significantly lower as compared to financial metrics, increasing the noise-to-signal ratio. For example a relatively low percentage of companies measure sustainability information and an even lower percentage obtain external assurance on the adequacy of the processes that generate the data.

Moreover, performance on many sustainability issues is less controllable by the company, widening the gap between accountability and control. For example, many companies engage to improve the environmental and social performance of their supply chain partners, even though they have less control over them than they do over their own operations. In addition, while monetary incentives seem to work effectively at motivating behavior to achieve financial goals, it is not clear that this would apply to sustainability goals, where motivation might be driven by intrinsic and reputational factors.

A first path forward for research would be to examine how sustainability metrics are used in incentive and control systems. Does the higher noise-to-signal ratio, lower controllability, and potential crowding out of intrinsic and reputational motivation lead to less intensive use of sustainability metrics in these systems? A second set of questions revolves around the combination of financial and sustainability measures. What is the optimal combination of financial and sustainability metrics that allows a firm to achieve its objectives?

While significant requirements already exist for financial reporting, reporting on ESG performance is a relatively new phenomenon. In 1995, Royal Dutch Shell came under fire for alleged human rights violations stemming from its operations in Nigeria. Campaigns against Shell caused some investors and the public to temporarily lose confidence in the company. As part of an effort to inform consumers and repair its reputation, Shell issued a corporate social responsibility report in 1998, becoming the first large corporation to do so.

Corporate sustainability reports and annual financial reports have typically been issued separately since companies have not customarily linked the concepts of ESG performance to financial performance.

Reports containing environmental and social data vary widely in terms of structure and content due to the lack of regulatory guidelines on how to report this information. Early adopters of sustainability reporting predominately released single issue report, usually disclosing environmental or workplace safety information. This evolved into multi-issue reports when companies began disclosing information relative to the organization's "triple bottom line," which holistically represented its economic, social, and environmental performance. This disclosure practice was most commonly referred to as corporate social responsibility (CSR) reporting or sustainability reporting.

Unlike a sustainability report that is issued separately from the annual financial report, an integrated report is a single document that presented and explained both financial and nonfinancial information in a holistic manner. Integrated reporting was developed in response to the need generated by stakeholder groups and investors for enhanced reporting that connected strategy, key performance indicators (KPI) and financial performance. A frequent argument in favor of integrated reporting is that it is an effective way of instilling "integrated thinking" inside the firm and communicating to all stakeholders that the company is taking a holistic view of their interests.

Fundamental questions exist concerning these reporting developments. I separate these questions into three categories: determinants, reporting choices, and consequences.

On determinants, what motivates a firm to disclose its ESG performance? Are the motives behind sustainability and integrated reporting similar or different?

How do companies choose what to report on? Does the information disclosed meet the materiality threshold, however defined? Eccles et al. (2012) report that companies in industries that will be affected by climate change (e.g., insurance, airlines, automobiles) have failed to provide climate change disclosures. Moreover, within the set of companies that report on climate change there is substantial variation on what they disclose, ranging from boilerplate disclosures to quantitative KPIs.

What are the consequences of sustainability and integrated reporting? Does reporting incentivize managers to improve their ESG performance? Enactment of mandatory sustainability reporting in a sample of 58 countries showed that companies forced to report do in fact improve their ESG performance. Their results provide evidence that reporting can drive performance.

Another important development has been taking place within the investment community. In many countries the socially responsible investing (SRI) movement has been gaining significant momentum, and it increasingly constitutes a non-negligible part of the broader financial system. In its early years, SRI was largely grounded and justified in terms of religious beliefs (e.g. exclusion of firms that sell weapons, tobacco, or alcohol), and it was therefore indistinguishable from ethical investing in terms of the type of values-driven investment screening applied. Yet as SRI developed into its modern form, it shifted away from an emphasis on ethics and towards the incorporation of ESG factors into investment decisions thereby becoming an investment strategy (what is now termed "ESG integration") that explicitly seeks to outperform rather than simply adopt an ethical stance on behalf of its investors. Many SRI funds now use ESG data as an integral part of the investment strategy in order to improve the risk-return profile of the portfolios, ultimately uniting ESG and traditional (economic) firm valuation into a "Triple Bottom Line" (i.e. by considering all three broad dimensions of corporate performance: environmental, social, and economic). Mutual funds that integrated ESG data in their capital allocation decisions had assets under management of more than $2.5 and $2 trillion dollars in the United States and Europe, respectively. Similarly, SRI funds in Canada, Japan, and Australia held $500, $100, and $64 billion, respectively. Assets under management of socially responsible investors grew considerably: funds in the United States, United Kingdom, and Canada grew by $400, $600, and $400 billion respectively, between 2001 and 2007.

The increasing momentum of the SRI movement within financial markets has also led to a proliferation of academic studies seeking to better understand the performance of SRI funds. A comprehensive review of this literature was conducted and it was found that SRI "has become an investment philosophy adopted by a growing proportion of large investment institutions" and that "this shift in SRI from margin to mainstream and the position in which institutional investors find themselves is leading to a new form of SRI shareholder pressure".

During this time, mainstream investors also witnessed the emergence of sustainability indices. In 1999, for example, the Dow Jones Sustainability Indices were established as a family of indices that would evaluate the sustainability performance of the largest 2,500 companies listed on the Dow Jones Global Total Stock Market Index. Several other indices followed suit, with the most prominent being the FTSE4GOOD index, Ethibel, Domini 400 Social Index, Vanguard Calvert Social Index Fund, and the Corporate Governance Quotient (CGQ). In parallel, major investment banks established units with an explicit mandate of incorporating sustainability issues into firm valuations (e.g. Goldman Sachs set up GS Sustain). These developments further reinforced the emerging belief that sustainability was linked to value creation and that financial markets could no longer regard these policies as peripheral to a corporation's strategy.

The 2000s also witnessed an increase in investor activism. The number of environmental and social issues that were the subject of shareholder resolutions in the U.S. increased significantly and these resolutions were also increasingly more successful. From 2008 through the first half of 2010, more than 200 institutional investors, collectively controlling a total of at least $1.5 trillion in assets, filed or co-filed shareholder resolutions on ESG issues. Included in this group were resolutions asking firms for better disclosure and oversight of their political contributions and activities.

Other recent social and environmental resolutions have addressed equal employment opportunity, climate change, human rights, and sustainability reporting. Moreover, the number of shareholder resolutions filed at U.S. companies on environmental and social issues has risen over the last decade from an annual average of 240 in 1999-2000 to more than 380 in 2007-2009 (Socially Responsible Investing Trends, 2010). The average support that shareholder advocates are receiving for shareholder resolutions on social and environmental issues is also rising (Socially Responsible Investing Trends, 2010). In fact, by 2012, ESG issues constituted the majority of all shareholder proposals.

This paper presents an alternative view of the role of the corporation in society. Specifically, the largest corporations have a role to contribute positively to society by balancing different stakeholders' interests, instead of maximizing profits. I attribute this change in the role of the corporation to the increasing concentration of economic activity and power in a few corporations which resulted in a few companies having a very large impact on society, corporations and influential actors which are easier to locate, and increasing separation of ownership and control. These events led to what was predicted more than 80 years ago: both owners and "the control" accepting public interest as the objective of the corporation.

A few interesting observations arise from this alternative formulation of the role of the corporation in society. First, it is not static, as is the goal of profit maximization. Rather, the role of the corporation in society can be a function of the broader economic, social, and political context and as a result evolves over time. Second, corporations are not a homogeneous group as it is assumed by profit maximization; not all corporations have the same role in society. For example, in this paper the largest corporations have more of their activities put to the test of public interest.

Managers engage in a range of activities. Recently, increasing corporate engagement on environmental and social goals has redefined the relation between business and society. It remains to be seen whether this trend will continue. In the meantime, research on the topics outlined in this paper is likely to increase our understanding of corporate behavior and the role of these corporations in society.[15]

4 CORPORATIONS AND THEIR PEOPLE

With the dramatic change in the start-up climate in India, at least in some of the major metros, spear-headed by Bengaluru, there is a very pertinent question for people entering the job market or who are already working for a large company. Should they take the plunge into the topsy-turvy world of start-ups? Or work for a large company before pursuing the entrepreneurial dreams?

The answer unfortunately is not a black and white one. To add to the confusion, there are these wild success stories where whiz-kids have building deca-corns straight out of college or not even finishing college. These are outliers, for every hugely successful company started by a whiz-kid, there are a thousand other sustainable and meaningful businesses built. Also remember that the average age of an entrepreneur is close to 35 in spite of the headline grabbing whiz-kids. Speaking from the battlefield, I can assure you that for every college drop-out that is grabbing the headlines there are hundreds who are floundering. I will give you my view/opinion on why one should work for a large company before doing a start-up.

Working for a large company is like attending finishing school. One coming out of a college is generally ignorant of the language, protocols, processes of building and running a business/organization. Here's why I think one should work for a large company before doing a start-up:

1. Large companies have structured training programs in technology, business processes, Human resource management, and Intellectual property etc., which will help you train on the various/diverse skill set necessary for setting and running an organization.
2. You get to meet experienced smart people who have made landmark contributions in developing the state-of-the-art. Wouldn't it be fun to meet a legend whose name appears before the algorithm you studied in your final year?
3. You get access to expensive equipment and tools and practical experience working on them. Do you know the cost of a Fixed Ion Beam machine or a 100 GHz scope with a differential probe or the license cost of CAD design tools?
4. You make connections with people inside and outside the company, which will come in very handy when you are on your own. Especially software and hardware vendors, who will come in very handy in giving out demo or evaluation licenses when you get on your own.

5. You have access to large capital, which will help you to do more far-reaching things in life than when you are on your own. Some things today need expensive equipment, large teams and lots of investment. R&D on fundamental stuff like energy (storage and generation), material science, large computer science projects does need the backing of large organizations.
6. The scope of projects that one can work on in large companies is huge. You can have a huge impact on this world in the area the company is working on.
7. Many companies have intrapreneur programs, which will give you the opportunities to test the murky waters of entrepreneurship with the safety net of the large company systems.
8. You get to travel to many places and first hand learn the culture, opportunities and the ways of foreign culture/systems, which I believe is extremely important in a globalized environment.
9. Working for large or small companies will let you discover yourself. Maybe you are a better fit in small groups, frequent collaboration opportunities, more relaxed company atmospheres or a loner who treads his own path.
10. Large corporate do provide "rotation" programs, where one gets to work in various departments, typically for 2-3 years and then decide to pick a line of work. This is an extremely useful training ground for business leaders.

11. This might be on the sly, there could be other wannabe entrepreneurs in a large company, who are looking to do something on their own, and you could join that group. Many billion dollar companies have been built this way from Intel to Infosys and many others.

We read a lot about start-ups and stuff, mostly about fame and money, but trust me these are outliers, the reality is that starting a business is always a huge risk and the outcome governed by externalities one cannot control. Starting a business also means sacrifices for 5-10 years with no guaranteed outcome.

There is always another alternative. Instead of working for a large company one can consider working for an early stage start-up, which is reasonably funded and experience the growth journey.

Like any choice you make, there is always a risk associated with it. The risks are arguably low in a large company or a funded start-up, but your equity opportunity is low. As the saying goes, read the fine print before you sign up.

Start-ups in my opinion are measured on three things: value, uniqueness and traction. Unless you have something that is compelling on all the vectors, which is hard in my opinion - be careful before you make the plunge.

In the end, it is a very personal decision, but whatever path you take, make sure your heart and mind are set onto it because the ride will always be bumpy and interesting. Based on my experience (after working for large companies for close to two decades), one should always experience the start-up journey at least once in your lifetime. It is invigorating to the body and soul, gets your creative juices flowing, very painful and yet extremely satisfying. It definitely gives a boost to your career and there is a small chance that you might actually make some money, but in my opinion that is beside the point.[16]

To summarize all pros and cons there are the reasons which may be still attractive for many employees:

Stable income and minimal demands

They make you spend 40 hours then so you can't hold another job with a competitor, but you can stay employed on a fraction of that. You get a reliable, mediocre paycheck and, if you're good at politics, you can even take a chance of breaking into the not-mediocre range, as far as compensation goes.

People and contacts

How are you going to become a consultant without clients? How can you sell to large companies without ever having worked in one? Corporations tend to have mediocre management and lethargic aspirations, but there are good people in all - even in the less prestigious ones. You won't always find many good people, but they're out there.

Pedigree

You get more from having Google or Goldman Sachs on your CV than from having jobs that are harder to evaluate.

Resources

Of course, this falls under the "if you're good at politics" subcategory. Without political skill, you're not going to get a 144-node cluster to test your architectural ideas on.

Wanting to be or become a career manager

If you're managing a team of 10 people and your next step is to be a director with 50 total reports, then corporations are good places to make that happen. It's much easier to run a division of 50 people within a corporation than to start a company and scale it to 50 people.

Protecting a specialty

Corporations may be bureaucratic and anti-intellectual in general, but they're good places to work if you have a specialty they can use, because you don't have to do random other work that you'd face in a smaller company where divisions of labor were less well-defined. Once you are on management level, you'll probably have an assistant to handle your personal errands, and the people under you will do all the grunt work.

Lack of alternatives

"Startup" does not count, because the VCs are just corporate executives in different clothing, and the "founders" are mid-ranking product managers. The VC-funded world is the corporate world - just a juvenile, underpaying, and volatile subchapter of it. Given this, not everyone has alternatives, because the corporations have managed to monopolize most of the world's resources.[17]

Strike up a conversation about work values, and it won't be long before someone brings up a pyramid — a famous psychologist's best-known theory. Abraham Maslow's big idea was that we all have a hierarchy of needs: once our basic physiological and safety needs are fulfilled, we seek love and belongingness, then self-esteem and prestige, and finally self-actualization. But that pyramid was built more than half a century ago, and psychologists have recently concluded that it's in need of renovation.

When you review the evidence from the past few decades of social science, it's hard to argue with Maslow's starting point. If your basic needs aren't met, it's hard to focus on anything else. If you have a job that doesn't pay enough, and you're up all night worrying about survival, chances are you won't spend much time dwelling on self-actualization.

But Maslow built his pyramid at the dawn of the human relations movement, when so many workplaces in the manufacturing economy didn't have basic physiological and safety needs covered. Today, more companies are operating in knowledge and service economies. They're not just fulfilling basic needs; they're aiming to fulfill *every* need, providing conveniences like meals and gyms, and competing to be the best places to work (from 1984 through 2011, those that won outperformed their peers on stock returns by 2.3% to 3.8% per year). In those environments, survival isn't in question.

And once you get past that layer of the pyramid, the rest of it falls apart. People don't need to be loved before they strive for prestige and achievement. And they don't wait for those needs to be fulfilled before pursuing personal growth and self-expression.

If Maslow were designing his pyramid from scratch today to explain what motivates people at work, beyond the basics, what would it look like? That's a question we set out to answer at Facebook, in collaboration with our people analytics team.

We survey our workforce twice a year, asking what employees value most. After examining hundreds of thousands of answers over and over again, we identified three big buckets of motivators: career, community, and cause.

Career is about work: having a job that provides autonomy, allows you to use your strengths, and promotes your learning and development. It's at the heart of intrinsic motivation.

Community is about people: feeling respected, cared about, and recognized by others. It drives our sense of connection and belongingness.

Cause is about purpose: feeling that you make a meaningful impact, identifying with the organization's mission, and believing that it does some good in the world. It's a source of pride.

These three buckets make up what's called the psychological contract — the unwritten expectations and obligations between employees and employers. When that contract is fulfilled, people bring their whole selves to work. But when it's breached, people become less satisfied and committed. They contribute less. They perform worse.

In the past, organizations built entire cultures around just one aspect of the psychological contract. You could recruit, motivate, and retain people by promising a great career or a close-knit community or a meaningful cause. But we've found that many people want more. In our most recent survey, more than a quarter of Facebook employees rated all three buckets as important. They wanted a career and a community and a cause. And 90% of our people had a tie in importance between at least two of the three buckets.

Wondering whether certain motivators would jump out for particular people or places, we broke the data down by categories. We started with age.

There's a lot of talk about how different Millennials are from everyone else, but we found that priorities were strikingly similar across age groups.[18]

According to the research made by Accenture only 15% of class of 2015 want to work for large corporations. Similarly, medium-sized businesses are attractive for 35% of Millennials and only 10% want to work for state agencies. The young generation prefers benefits, interesting and challenging work, flexible work hours and a chance to move quickly up the ranks.[19]

5 CORPORATION RITUALS

Rites and rituals at the office can help to establish team unity, allow employees to feel appreciated, and offer a more enjoyable workplace experience. Some of these rituals can also bring attention to individuals who complete special accomplishments for the company. These celebrations can encourage others to reach for higher goals and gain the attention and respect of their colleagues.

Awards Ceremonies

Many companies employ awards ceremonies as a rite to entice higher performance goals from employees. Award ceremonies bestow recognition of the winners, while showing the other employees what they can gain by reaching the same goals. Workers will often strive to achieve customer satisfaction standards, complete projects under budget, or develop new innovations to win the respect that comes with such award. Rewards for award winners can range from certificates and plaques to bonus cash and travel packages.

Teambuilding Exercises

Companies also often sponsor after-hours activities as means to build camaraderie among workers. These rituals, such as softball teams, bowling leagues and paintball games promote team unity, social bonding and cooperative thinking among workers who may not have had the opportunities to know each other in the workplace. Many companies also provide off-site, multi-day retreats that allow workers and executives to communicate their concerns about the workplace environment in an open and non-judgmental space.

Sales Rewards

The best sales people are often highly motivated individuals. When company adds a ritual of rewards for its top achieving personnel, motivation factors increase for these competitive professionals. When the reward is a simple recognition that comes from ringing the bell after successful sale, or it comes in the form of cash bonuses and luxury items, salespeople will often pursue such prizes with higher level of personal drive and tenacity.[20]

To wrap up the importance of the rituals we may stress the following:

Rituals are significant and powerful. Symbols can have a great impact, as they communicate beyond words and convey meanings without explicit explanations. Rituals and symbols play an important role in the success of managing creativity and innovation because they speak to our subconscious, comfort our unspoken fears, enable us to tap into solution that cannot be found in a linear fashion, and connect us emotionally to our friends and colleagues.

Ritual is a powerful way to harness the life force that lives deep down in every one of us. The way rituals impact us is through rhythm (rituals occur at well-defined moments: Sunday mass, birthdays, the end of puberty, end of year graduation), regular repetition (Thanksgiving every year, morning ablutions, Sunday family lunch) and dramatic staging (Christmas tree, sculpted pumpkins, candles for a Valentine's Day dinner).

Rituals imply a certain level of ceremony and require time, but they are profoundly efficient in both the short and the long term. For example, think about how football players huddle before they go onto the field at the beginning of a big game. It is a moment that may include a prayer or words of encouragement from their coach, but most importantly it is time that they set aside to reach beyond self-doubt and turn fear into audacity by connecting to their guts. In Rugby Six Nations Tournaments, national anthems are played at the beginning of the game to invoke a sense of pride and responsibility for the success of the team.

Rituals are transformative because they help us deal constructively with the intangible dynamics within us and within groups. They productively channel instinctual forces into creative powers. Ritual is what allows us to gather the energy needed to achieve great things, often beyond what we could imagine ourselves capable of. When managing the creative process, celebrating wins and awards is one effective way to reassure creative teams, whose members often question their own talent. And one thing is certain: not celebrating wins can cause a lot of damage to the spirit and motivation of your creative team.

Navigating creative and innovative processes is rarely easy; it often entails a lot of unknowns and a lot of erratic moments. No matter how seasoned and brave you are, self-doubt and fear are simply unavoidable in the process of creation. Rituals address fear of the unknown, self-sabotage, and procrastination, which can all happen during any creative process, hence the importance of rituals in southwest management.

There are many ways to spark creativity and establish an atmosphere that resonates with creative teams. These are effective ways to improve creative output that you can apply to your business. Consider how many of them you've thought about before and how many of them you actually implement in your management. Leaving these out is not a valid option.[21]

Traditions and rituals are great ways to add some fun and passion into the workplace on a consistent basis. They can be used to inject some energy and life into the workplace. Traditions help create a sense of shared history and team cohesiveness. They can help cement your workplace's identity and even your brand. Traditions and rituals also give employees something to look forward to and something to reminisce about, which, according to happiness experts, are two things that can substantially boost happiness levels. Traditions also can help give employees a chance to flex not only their funny bones, but their creative muscles as well.

There's one more reason to start a few great traditions in your workplace, and that's simply the fact that traditions can quickly become habits. There's nothing worse than starting a new initiative at work and having it fizzle out after only three weeks. Creating some traditions, on the other hand, helps ensure that some practices stick around for a long time. Some of the best traditions are those that come about organically and spontaneously, like the "Golden Banana Award" that a Hewlett-Packard office started after a senior engineer once handed an employee the only thing he could find quickly to thank him for his hard work: a banana! Similarly, my own speaking association has its annual "Passing of the Banana" ceremony wherein all the former presidents pass a banana down the line to the new incoming president. The tradition began the first year of the association when the only object that could be found to honor and "knight" the incoming president was a banana. (Of course, not all traditions involve bananas. I've heard of some fabulous traditions involving oranges as well.)

But traditions can also be planned for and can also help your workplace achieve other goals at the same time. Rituals that celebrate certain milestones, for example, can not only become deeply entrenched parts of your organization's DNA, they also help ensure you stay committed to appreciating and thanking employees. Rituals that help you jump start your meetings also help ensure meeting participants show up on time and can help set the mood for a more open, relaxed and creative meeting. While looking for traditions that can help you achieve another goal, but also look for opportunities to create rituals that are simply fun.

Here are just a few opportunities you might want to consider for creating a fun, creative ritual or tradition around in your workplace:

Start of the weekly tradition. Something that jump starts people's attitudes or reminds them of the biggest priority of the week.

A different tradition for each day of the week. Fun Dance Mondays. Tacky ties Tuesday. High Five Wednesdays. Thirsty Thursdays. Fun Food Fridays.

- Start of each morning ritual.
- End of each day ritual.
- A ritual to kick off each quarter.
- A tradition to celebrate the end of fiscal year.
- Traditions around welcoming new employees and making them feel part of the team.
- A start of the summer season tradition.
- A ritual that kicks off every meeting.
- A ritual that ends every meeting.
- A ritual that every meeting participant must adhere to before making a presentation at a meeting.
- Traditions around celebrating employees' birthdays
- A tradition that celebrates the founding date of your company.
- A tradition that celebrates every big sale over a certain amount.
- A tradition that celebrates each time your organization takes on a new major client.
- A tradition that celebrates a certain monetary milestone or number of customers.
- A tradition that celebrates milestones of accident-free workdays.
- A ritual that celebrates some of the offbeat holidays, such as "International Talk Like a Pirate Day"
- A "We're half way through" ritual to celebrate the midway point of a massive project
- Appreciation rituals that encourage people to take responsibility for thanking each other on a regular basis
- Rituals that celebrate "smart failures" and setbacks in fun ways.[22]

An organization's culture is hard to define but essential to the happiness and productivity of its members, and the success of the group. A successful culture can show in an organization's ability to adapt to transitions in management, workforce, customer needs, or reorgs. It shows in how people of diverse backgrounds are included and respected, and how cohesive a sense of community there is among the members. And it can show in its members' creativity and ability to innovate, to create new, successful products and services.

This intangible thing of 'culture' has an enormous effect on people's satisfaction and the organization's well-being. The challenge then is, how can an organization craft a culture that is strong and flexible, that supports resilience, diversity, cohesion, and creativity?

The hypothesis is that good organizational culture can be created with intentionality, and that using a framework of ritual design is a promising way to do so. This hypothesis is in alternative to a 'default strategy' of following the default practices, habits, and events of the people in an organization. It is also an alternative to a top-down strategy, in which a central group of leaders attempt to define a culture and impose it top-down on an organization. Our proposition is that an organization can provide structured, deliberate framework with which to empower people of all levels of its members to define rituals that will contribute to a better culture.

This paper documents this approach and design research into its application at a large corporate enterprise software company. We developed a ritual design framework and proposed it as a hypothetical tool for culture change. Then we watched as interdisciplinary design teams attempted to follow it, to diagnose opportunities for interventions and then craft them. Our findings from the workshop show that there is great promise for an organization to use ritual design as a framework to encourage democratic culture-making, and to enhance its mission and spread its values.

In our earlier design research, we used a ritual design approach on a more personal, less organizational level. In that work, we showed how deliberately creating rituals can help individuals to craft new habits for themselves to create meaningful, momentous experiences for themselves as they tried to live their values. Other design researchers have also written of the power of rituals to enhance the design of services and consumer products. In addition, managers have observed how to use rituals derived from sport, religion, and other traditions to enhance community-building and creativity among their employees.

We expanded upon the design of rituals from the personal to the organizational. Our research leverages participatory design and design thinking methodologies, to explore what types of challenges in organizations ritual design can best address, and what types of rituals may work to build good organizational culture. To evaluate our design framework, we ran a two-session-class in partnership with a large corporate organization. Student groups were paired with teams at the organization and scouted out issues for possible organizational change, and then prototyped new rituals to be implemented. We found the framework of ritual design to resonate with the designers and the corporate teams.

The act of creating rituals was found to be empowering and constructive, and the rituals themselves were found to have most promise in enhancing cohesion and resilience in teams, while also potentially enhancing creativity.

Our work contributes to discussions of organizational culture-building, stimulating creativity, and change management. It also feeds into the smaller interdisciplinary community analyzing how rituals can be useful in design with regards to user experience and service design. Our experiments in crafting team rituals on site at a large corporation showed what methods, ritual interactions, and intervention points are most successful.

We began our study with the overarching question of how organizations' culture can be defined in better ways, with a hunch that rituals play an important role in the creation and continuance of culture. This question is of interest because of the intangible nature of culture, mixed with the powerful influence it exerts. When we looked at the existing state of organizations, we observed several challenges with regards to meaning and culture.

First, the relationship between individual employees and the organizations is breaking. In the US workforce, for instance, most employees (50.8%) are not engaged with their work. Moreover, 17% of them report being actively disengaged at work. Disengaged employees tend to have less motivation, which affects an organization's performance and cohesion. There can be many reasons for such an acute crisis in the modern workplace, including job roles, organizational structures, work processes, and culture. We see that this lack of engagement signals a cohesion problem within the culture.

Second, organizations face challenges with resilience, because their staff and their fortunes are constantly changing. Their transitions might be based on internal forces such as the changes in the management and their workforce; or external forces such as shifts in technology, customer needs; or simply the macro level economies that they are functioning in. Think of organizations that are going through a re-org. According to research, 80% of reorgs fail to deliver the intended result, and they create stress and anxiety among employees. A re-org's consequences are even worse than layoffs, and can result in 60% decline in productivity. During the transition times, employees usually are left to their own psychological rollercoaster, and lack tools for resilience.

Lastly, the nature of work is changing rapidly with technology and its societal implications. Thanks to automation and machine learning, job roles are getting saturated. According to research, non-routine cognitive jobs have risen to 60% of the employment within past two decades, whereas routine cognitive and manual jobs shrunk in the same period. This means two things. Creativity becomes even more important to stay relevant as an organization. Secondly, productivity becomes a key benchmark to stay afloat during the transition to a machine-run world.

We shaped our inquiry and hypothesis around these three challenges that organizations face: cohesion, resilience, and creativity. We observed that the culture of an organization might be changed, to enhance these factors and to improve employees' work and an organization's success. To change the culture to achieve these outcomes, we supposed that the design of new rituals might be a key factor. As the next section delineates, rituals play a key role in an organization's culture. That led us to ask two questions. First, can rituals be designed for an organization, to set or change its culture? Second, can organizations craft a culture that has cohesion, resilience, and creativity using rituals?

To answer these questions, we first turned to the literature that discusses the role and power of rituals for organizational culture, to craft our hypotheses. Then we held an exploratory design workshop with a partner organization to test them and gather further insight about the power of ritual design to build better organizations.

5.1 LITERATURE ON RITUAL'S ROLE IN ORGANIZATION CULTURE

Rituals are a repeated enactment of a particular set of behaviors, scripts, and interactions. Though they may have been traditionally studied by anthropologists as ways to understand large-scale religions or nations, social scientists seeking to understand modern companies and teams have also begun to examine them. The literature on organizational culture documents that rituals have a special power to bring people together and give them a sense of purpose, values, and meaning. As Turner finds, rituals can anticipate and generate change. Or they can be an enforcer of the normal order, by reinscribing what is normal and expected.

Especially in the realms of sports, politics, and religion, rituals unite people and bring out deep emotions, creating a shared identity. Rituals decrease anxiety and improve performance. Rituals in the workplace can strengthen the organization's desired behaviors, by creating focus and a sense of belonging, and making changes stick.

Overall, rituals are found to be a crucial, if hard to evaluate part of culture. Organizational culture is "fiendishly difficult to define", and many formal scholars of organization economics and management are reluctant to examine the topic at all. Heskett proposes a culture framework of visible and invisible forces that defines a culture. Visible forces are artifacts, behaviors, and metrics, invisible forces are beliefs, values, and assumptions. Rituals exist as a bridge between the visible and invisible. They can help organizations to manifest their values in the everyday life of the company and strengthen their culture.

A main question of rituals, and of culture-building generally, is the power dynamics of them. For example, Gideon brings a more critical lens to presentational rituals. He characterizes them as a vehicle for organizations to practice normative control over employees. But there is a promise for a more bottom-up culture building centered on growth and needs of the employees.

One of the values that we hypothesized ritual design might bring, is that it could allow for employees to design the rituals, and thus the culture, that they want to see in their organization. Rather than only central management imposing rituals to define culture, could we democratize culture-building through design sessions in which all kinds of stakeholders can propose and implement new rituals?

This might be to enhance a person's sense of agency and meaning at work. Specialists like Chalofsky identify the needs for interventions in the workplace that give people a greater meaning at work. These types of interventions would give ways to people to express meaning and make sense of the purpose of work. These types of interventions can give people intrinsic motivators to perform their work better, and more satisfaction in their working lives. They will help a person integrate their sense of self with the work itself, with positive outcomes of a sense of balance, a feeling of being in control, and a sense of purpose and worth. Literature pointed towards the possibility of rituals to make a more humanistic, holistic work-self workplace, or to allow for more democratic agency in asserting what the culture should be. We integrated these findings with the outcomes of our previous research into the design of personal rituals, in order to create a hypothetical framework for ritual design for organizational culture, with which we could test the value of designing rituals and how rituals might enhance creativity, cohesion, and resilience.

Our Proposed Ritual Design Framework

To explore these research questions of culture creation and the power of rituals, we drafted a framework of ritual design. It stems from our observations in the literature, as well as our previous design research into the creation of personal rituals. We hypothesized that this ritual design framework would be of use to people inside of an organization looking to create better culture, and also that it would lead to the development of sticky, effective rituals that could enhance cohesion, creativity, and resilience. The core of our framework is the notion that rituals can be designed intentionally, using a design process. Ritual design is an approach to act more deliberately when designing meaning and culture. It brings rituals as a mindset and a lens for understanding any given design brief. It then applies ritual tools and mechanics to design interventions. Interventions live under the umbrella of experience design. The form of a ritual design can be many, from an interaction, to a product that embodies or enhances a ritual, to a service involved in one, to an organizational program that formalizes it.

We developed this framework in initial design research sessions on how people can craft rituals for themselves. Those sessions showed that to design a ritual, there is a pattern of interactions. The designer needs to set a specific context, a prop, act, and a narrative goal. Context is the setting where the ritual will occur and the hook that will trigger it. For example, one context could be "the first day at work". A prop is a symbolic object or act, such as your orientation booklet. An act is a series of repeatable actions, such as repeating an oath. A narrative goal is what the individual or group wants to happen at the end of a ritual, such as feeling connected or instilling loyalty. Having defined these steps to create a ritual, and observed the ability of people to craft rituals to improve their own personal lives, we decided to use this framework as a starting point to explore the power of rituals for organizational culture. Our guiding question was: will design teams and organization members be able to use this process to craft rituals that have value? And, secondly, will the rituals they craft be able to live up to the promise delineated in the literature, of promoting more democratic, human-centered culture? In order to investigate how design thinking and ritual design approach could help craft meaningful rituals for an organization, we decided to run a two-day design studio class at Stanford school, in partnership with a large corporate organization located in Palo Alto. We planned the workshop as a two-day exercise, with the first day as learning the framework and using it to spot opportunities for rituals, and the second day as prototyping, testing, and refining new rituals.

To examine how rituals can be deliberately crafted, we structured our class exercises around context discovery, and design of a ritual through props and acts. Based on our literature review, we set out creativity, cohesion, and resilience as potential ritual goals. For context discovery, we deployed human centered design methods, including interviews, service safari, and experience mapping to help students to discover the right context for a ritual.

We also worked with our partner organization before the workshop, to determine how a ritual design sprint could integrate with their challenges. From these discussions, we distilled several key insights about how a design process can serve organizational culture-building.

A democratic diversity of organizational perspectives

Our partners in the organization specifically requested to include employees from different positions in the organization's hierarchy as interviewees and co-designers. They recommended that we include employees who are managers, team members, interns, and executives. They believed this diversity of roles would lead to a more meaningful selection of challenges that the teams would work on.

The hypothesis was that team members would be most interested in creativity and productivity rituals, managers would be concerned about team cohesion and retention, executives would be interested in longer-term values and missions being upheld, and interns would be interested in team cohesion and creativity. The partners' diverse points of view would lead the teams to richer culture-building, and proposals that would more likely work with the various stakeholders and be 'sticky'. This finding from the partner reinforced our hypothesis that ritual design can allow for more democratic, open culture-building in an organization.

A hunger for cultural tools and deliberate crafting, but not universally

The people in the partner organization we spoke with were those employees particularly interested in culture. They have been thinking about the organization's challenge around bringing the best work from employees and using organizational culture to do it. They felt, though, that they haven't had enough time to fully understand their current culture dynamics, or to craft a vision of the culture they wanted. They flagged that they were not necessarily representative of all managers or executives in the company. These discussions indicated to us that culture-building might not be an organization-wide priority, but that a self-selected set of people are passionate about it and are eager for experimentation with it.

The importance of lightweight human behavior expectations. Another concern from our partner was that the proposed rituals be light and uncomplicated. They predicted that the most successful rituals would not require too much effort from people, or disrupt their current behaviors too drastically. They encouraged us to adjust our framework, as a heuristic to judge proposed rituals by how light, non-demanding, and adaptable they are.

This initial feedback from our partner organization helped to reaffirm our ritual design framework, with this select group of employees agreeing that they had great concern for their organization's culture and they saw value in setting about a deliberate design process to craft new rituals.

5.2 FINDINGS

Reflecting on the design work and ritual output of the workshop, we found that the ritual design framework resonated with our design teams and our self-selected corporate partners. Those people who are interested in improving organizational culture found the focus on rituals to be quite useful and the design work in creating them to be enjoyable and fruitful. In my debriefs with the stakeholders, they affirmed that crafting small interactions, to embody and spread particular values, was a strategy they found to be very promising for their own culture. We identified several more specific insights about the design of rituals in organizations.

Ritual Design Framework Resonates

When we analyzed the flow of all the designed rituals, we observed that teams had employed the ritual design framework elements naturally. They prototyped the rituals as narrative arcs, with a context hook, symbolic prop, and repeatable acts.

The teams found that rituals would have particular strength during transition times, such as starting a new job. The framework could be emphasized particularly during an employee's transitions, or when an organization is going through a larger-scale transition.

Among the goals of the rituals, cohesion was the dominant theme. Teams found rituals to have promise for creating bonds, a sense of identity, and strengthening superficial relationships. Creativity was a less prominent theme, with a few teams highlighting that rituals could be used to stoke creative work. We gathered an insight about the service design nature of many of the rituals. Though we had proposed the framework to be for an interaction that could be repeated, the teams crafted more 'ritual services' as ongoing programs. For example, the One Box and Design Thinking drip rituals were designed as ongoing services with multiple touch points. The New Talent Graduation Ceremony and Crash the Desk are part of an ongoing program. We will incorporate this insight, that rituals could be a service design, into our framework in upcoming workshops.

Rituals Are Strategies to Assert Culture

As we hypothesized based on our literature review, the design teams uncovered the democratic potential of rituals for culture-building. Ritual design can be a powerful means for an individual to assert the culture they want an organization to have. Regardless of their place in an organization's hierarchy, a person can craft these small, special interactions to make the organization more in line with the values and behavior they want.

Particularly for people who may feel stuck or unhappy in an organization, seeing culture through the lens of ritual design can help them figure out strategies to bring people together in better ways. It is proactive, it focuses on small interactions, and it brings a 'je-ne-sais-quoi' factor of meaningfulness and excitement.

As we heard from some of our student participants, in past working environments they found the status-quo of relationships in teams to be toxic — without respect, with adversarial competition, and a lack of a 'team' culture. This is where they found that a ritual design framework could help. It puts anyone inside an organization as an agent of positive culture change. You do not have to wait for the culture to change for you — you can quickly, creatively prototype your own relationships and team culture. Ritual design can be a tool-set to playfully craft new interactions and embed new values into the day-to-day.

Low barrier prototyping

Another observation from the workshop is that the process of ritual design can be a cheap, quick, meaningful way to spark new culture. A design workshop is relatively cheap and informal, but it provided valuable 'safe, creative space' for reflecting on current culture and playing around with new behaviors. Prototyping new rituals is quick and free, because they are small interactions. They do not require intensive technology or expertise. Rather, what is needed is more in terms of human capital: buy-in from some employees, who are willing to engage in brainstorming and improv, and who are open to spend time on design work.

Running a workshop also can bring out the people inside an organization who are potential culture-makers, but who haven't been given the opportunity to be so yet. You don't need a whole organization to engage in this kind of ritual/culture design — just a few ones who are passionate about better ways of working. It also benefits from having outsiders co-design with employees. The students helped bring a fresh, naive perspective that encouraged the employees to reflect more systematically on what was going on in their work culture. They also brought creativity and their own experiences to spark good ideas for rituals. As one of the students observed, what's really necessary for a ritual design's success is a person in the org to be passionate and charismatic about it. One person can craft a ritual and then spread it outward — as long as they can get others to suspend over-thinking and inertia, to join in.

In my debrief with our partners, we formalized this process so that it can be repeated throughout the organization. A ritual design workshop can be easily repeated through setting out some constraints (quick deadlines, going through the steps of the design process, and ending up with a 1-minute video), and supplying the participants with a little training, some brainstorming prompts, and some coaching. The workshop itself can be a force of positive change, helping employees give voice to where they think culture is breaking down, and then giving them creative agency to make small, funny, delightful new rituals that would improve their work-life.

A Mindset of Ritual Spotting

Another insight that emerged was that culture can be crafted in even more everyday ways than a design workshop. Once a person has gone through this process, they have a powerful mindset with which to spot and foster organic rituals. Put simply, ritual design can be an intentional way to get to organic organization culture. Seeing the workplace through the lens of rituals — and with the knowledge of the design process — can help an employee see good things that already exist, to build from one-off interactions into regular rituals. We call this ritual-spotting.

Alternatively, this lens can help them to see breakdowns, fail-points, and letdowns that they can then target with a new ritual as a design intervention. We heard from several of our participants that they were most excited about developing their own toolbox of strategies and practices to develop better work lives and team behaviors where they work. By playing with ritual design, they started to realize that one important strategy can be converting their routines to rituals.

The workshop helped them understand difference between routines (actions that get repeated regularly, like stand-up meetings) and rituals (actions that carry a je-ne-sais-quoi factor of meaning, magic, or values). They were able to see this special power that rituals have to bring values out through behaviors and to bring people together and give them a unique sense of satisfaction and bonding. With that insight, they started to think of strategies to make the things that they do on a regular basis (rather thoughtlessly) more meaningful by layering a ritual into them.

An Alternative to Top-Down Culture, Culture By Default

In my debrief, the participants reflected that ritual design can be an alternative to more top-down, heavy attempts at culture-building. Rather than company retreats, centrally-planned events, and other big attempts to set culture, when employees themselves craft and spread rituals, they're much more likely to get engagement, and they will have more meaning and resonance for the teams.

This leads to our final big takeaway: ritual design can be an antidote to "culture by default". If an organization is not intentionally crafting rituals that reflect their values and mission, it's likely they have rituals that don't actually serve them. For example, in our background research, we heard many examples of org rituals that involve heavy drinking, or the manager's personal preferences. In many cases, an org's culture is set by rituals that have been inherited from fraternity and college rituals, or that are built too closely around the manager's defaults. Going through a ritual design process helps to think more deliberately about what kind of values and experiences the culture should embody — and then what kinds of behaviors would best serve this — and especially with an eye to the diversity of the employees in the org. Not everyone wants to celebrate successes, say goodbye to departing team-members, or bond with co-workers through alcohol, or through after-work parties, but often these are the go-to rituals that pop up. With more intentionality, creativity, and co-design, an org can make sure that its rituals reflect its employees' preferences and its own values.

5.3 CONCLUSION

When we think about the big challenges facing modern corporate organizations, around retaining talent, weathering transitions, and improving engagement, culture and rituals can address them. We argue that intentional use of the design process to craft new ritual interactions in the workplace can allow for democratic, organic culture-building. It is a strategy to allow for people from various levels of hierarchy in an organization to assert the types of values and behaviors that they want the culture to be. Rituals have particular power because they can be modest, easily prototyped interactions, but they can hold tremendous significance and emotional sway. The ritual design framework that we have refined lays out a clear path with which to craft new rituals, making it easier for teams to reflect on their current culture and then prototype and refine new rituals to address problems.

Our workshop demonstrated that rituals are designable, and that, at least for people who are interested in matters of 'organizational culture', the process can be lightweight and satisfying. Our next round of research will examine which of the designed rituals succeed, insofar as they are embraced and practiced by the partner teams. We will evaluate which of the rituals continue to be performed after several months, or if they are adapted. We will also experiment with rituals in a longitudinal manner for the 'stickiness' factor in rituals and inquire into the qualities of rituals that stick. We are not defining success as widespread adoption throughout the organization, but rather by whether a specific group practices the ritual. If they do, this will demonstrate that the ritual provides them value.[23]

Workplace Ceremonies

Ceremonies contribute to a company's health and well being by building culture and morale, strengthening team cohesion, meaningful expressing appreciation, and easing difficult times in the workplace.

Sonia Beverley creates ceremonies to mark business accomplishments and key milestones, as well as rituals that contribute to a healthy and successful workplace, for example:

- To honor a valued employee or founder
- To recognize a team that has achieved exceptional results or an innovation
- To celebrate a colleague who is retiring after a long period of service
- To celebrate a special company anniversary or achievement
- To release or transition from a difficult time and move on with renewed energy
- To mark a new beginning, merger or amalgamation

With many decades as an executive leader skilled in people relationships and organizational development, Sonia understands firsthand the power of workplace rituals for defining and strengthening organizational culture, building cohesive teams, achieving strategic alignment, and retaining top talent. She develops custom rituals geared to workplace culture, suitable for small to large companies and public agencies.

6 CORPORATION VALUES

Corporate values are in vogue — but what does the fashion tell us about enduring corporate practice, as it is and as it could be?

Increasingly, companies around the world have adopted formal statements of corporate values, and senior executives now routinely identify ethical behavior, honesty, integrity, and social concerns as top issues on their companies' agendas.

The meaning of this new emphasis on values, however, is less obvious than the trend itself. So to explore how deeply these values are embedded in organizations and to examine the role that values are playing, in 2004 Booz Allen Hamilton and the Aspen Institute, a nonprofit and nonpartisan forum focused on values-based leadership and public policy, conducted a global study of corporations in 30 countries and five regions. Senior executives of 365 companies were polled, almost one-third of whom were CEOs or board members. The purpose of the survey was to examine the way companies define corporate values, to expand on research about the relationship of values to business performance, and to identify best practices for managing corporate values.

The survey's most significant finding was that a large number of companies are making their values explicit. That's a change — quite a significant change — from corporate practices 10 years ago. The ramifications of this shift are just beginning to be understood.

At Xerox, CEO Anne Mulcahy says that corporate values "helped save Xerox during the worst crisis in our history," and that "living our values" has been one of Xerox's five performance objectives for the past several years. These values — which include customer satisfaction, quality and excellence, premium return on assets, use of technology for market leadership, valuing employees, and corporate citizenship — are "far from words on a piece of paper. They are accompanied by specific objectives and hard measures," adds Ms. Mulcahy.

According to market and social trend analyst Daniel Yankelovich, the public's widespread cynicism toward businesses today is the third wave of public mistrust about corporations in the past 90 years. The first, set off by the Great Depression, continued until World War II; the second, caused in part by economic stagflation and the Vietnam War, lasted from the early 1960s until the early 1980s. In each of these periods, Dr. Yankelovich wrote in the May 2003 report "Making Trust a Competitive Asset: Breaking Out of Narrow Frameworks," companies tended to be reactive, blaming "a few bad apples," dismissing values as "not central to what we do," or ignoring opportunities to improve because "we don't have to make major changes."

The current wave of disapproval began in 2001 with the bursting of the dot-com bubble, the ensuing bear market, and the financial scandals involving Enron, WorldCom, Tyco, and others. But this time, according to the survey, the response appears to be different. More and more companies are looking inward to see what has gone wrong and looking outward for answers. They are questioning the quality of their management systems and their ability to inculcate and reinforce values that benefit the firm, its various constituencies, and the wider world. Rather than wall themselves off from critics, more companies are listening to them and looking for new ideas. And more firms are taking action to turn their corporation's values into a competitive asset.

If the new attention to values were simply a transitory reaction to the business scandals of recent years, or merely a public relations device to direct or deflect media and investor attention, it would be worth little note. But more companies are going well beyond simply displaying values statements: They are engaging in values-driven management improvement efforts. Among those efforts are training staff in values, appraising executives and staff on their adherence to values, and hiring organizational experts to help address how values affect corporate performance.

Moreover, companies are showing little patience for executives who place their businesses at risk by crossing the line from prudent to unethical behavior. A recent example was the prompt decision by Boeing's board to oust CEO Harry Stonecipher over a sexual affair he was having with an employee. Mr. Stonecipher had been appointed to the top job 15 months earlier to help improve Boeing's standing with the Pentagon, its largest customer, after a series of ethics breaches. The board did not specifically indicate what ethical rule Mr. Stonecipher had violated, but it was clear that in the current climate, any obvious ethical lapse would be an indiscretion that the company could not tolerate and that would affect the bottom line.

As Pfizer CFO David Shedlarz says in CFO Thought Leaders: Advancing the Frontiers of Finance: "It is critically important to do right. It is not adequate to meet the letter of the law — the spirit and the intent are what have to be kept keenly in mind."

For the purposes of this study, we defined values as "a corporation's institutional standards of behavior." Generally, companies follow the same "values cycle": They articulate a set of corporate values and attempt to embed them in management practices, which they hope will reinforce behaviors that benefit the company and communities inside and outside the firm, and which in turn strengthen the institution's values.

The fundamental findings were:

- Ethical behavior is a core component of company activities. Of the 89 percent of companies that have a written corporate values statement, 90 percent specify ethical conduct as a principle. Further, 81 percent believe their management practices encourage ethical behavior among staff. Ethics-related language in formal statements not only sets corporate expectations for employee behavior; it also serves as a shield companies are using in an increasingly complex and global legal and regulatory environment.
- Most companies believe values influence two important strategic areas — relationships and reputation — but do not see the direct link to growth. Of the companies that value commitment to customers, 80 percent believe their principles reinforce such dedication. Substantial majorities also categorize employee retention and recruitment and corporate reputation as both important to their business strategy and strongly affected by values. However, few think that these values directly affect earnings and revenue growth.
- Most companies are not measuring their "ROV." In a business environment increasingly dominated by attention to definable returns on specific investments, most senior executives are surprisingly lax in attempting to quantify a return on values (ROV). Fewer than half say they have the ability to measure a direct link to revenue and earnings growth.

- Top performers consciously connect values and operations. Companies that report superior financial results emphasize such values as commitment to employees, drive to succeed, and adaptability far more than their peers. They are also more successful in linking values to the way they run their companies: A significantly greater number report that their management practices are effective in fostering values that influence growth, and executives at these companies are more likely to believe that social and environmental responsibility have a positive effect on financial performance.
- Values practices vary significantly by region. Asian and European companies are more likely than North American firms to emphasize values related to the corporation's broader role in society, such as social and environmental responsibility. The manner in which companies reinforce values and align them with company strategies also varies by region.
- The CEO's tone really matters. Eighty-five percent of the respondents say their companies rely on explicit CEO support to reinforce values, and 77 percent say such support is one of the "most effective" practices for reinforcing the company's ability to act on its values. It is considered the most effective practice among respondents in all regions, industries, and company sizes.[24]

In the modern business era, we constantly hear the terms core values, mission statements and culture and we have integrated them in the business language among many other terms. But what are company core values? Why are they so important? We are going to discuss the importance of core values and why it is important to have core values in your organization.

Core values are what support the vision, shape the culture and reflect what the company values. They are the essence of the company's identity – the principles, beliefs or philosophy of values. Many companies focus mostly on the technical competencies but often forget what are the underlying competencies that make their companies run smoothly — core values. Establishing strong core values provides both internal and external advantages to the company:

Core values help companies in the decision-making processes. For example, if one of your core values is to stand behind the quality of your products, any products not reaching the satisfactory standard are automatically eliminated.

Core values educate clients and potential customers about what the company is about and clarify the identity of the company. Especially in this competitive world, having a set of specific core values that speak to the public is definitely a competitive advantage.

Core values are becoming primary recruiting and retention tools. With the ease of researching companies, job seekers are doing their homework on the identities of the companies they are applying for and weighing whether or not these companies hold the values that the job seekers consider as important.

One article that captured my attention when researching on what core values are (and are not) was "Startup Culture: Values vs. Vibe" by Chris Moody. The author talked about distinguishing your core values with vibes. Vibes are the emotional side of the company; they are dynamic and reactive to the outside environment. One example he gave was "Work hard. Play hard". Is that really a value? Core values are timeless and do not change; they are sustainable in the longer term. Would the above statement be true during an economic downturn? The answer is probably no. Another mistake startups make is thinking that by merely having perks they can create a strong, unified, and unique company culture.

Now the big question is: "How do I find the core values of my company?" In his article, Aligning Action and Values, Jim Collins discussed that organizational values cannot be "set"; you can discover them. Many companies make the mistake of picking core values out of thin air and trying to fit them into their organization; core values are not "one size fits all" or the "best practices" in the industry. True, you can hold the same core values as your competitors, as long as it is authentic to your company and your employees.

So how do you discover these core values? Collins developed an exercise he called the "Mars Group Exercise". The following list reveals the steps leading to finding what the core values of your company are:

Select 5-7 people who have a gut-level understanding of your core values, are distinguished as the highest performers, and are well respected by their peers and management team. Why gut-level?

Core values are predisposed to your employees. You cannot "install" the core values into people. These 5-7 people become your Mars group.

Ask the Mars group to list what they think the core values of the organization are. Then ask them the subsequent questions relating to each of the core values they have chosen:

Are the core values that you hold to be fundamental regardless of whether or not they are awarded?

If you woke up tomorrow morning with enough money to retire for the rest of your life, would you continue to hold on to these core values?

Can you envision these values being as valid 100 years from now as they are today?

Would you want the organization to continue to hold these values, even if at some point, they became a competitive disadvantage?

If you were to start a new organization tomorrow in a different line of work, would you build the core values into the new organization regardless of its activities?

The last three questions are crucial because they help to make a crucial distinction between core values and strategies – core values are fixed regardless of the time and factors, internal as well as external, affecting the organization, while strategies and practices should be changing all the time. If the answers are yes for each of the core values chosen, then you have yourself what constitutes the identity of your organization.

We have discussed why core values are important and some strategies for setting core values. You may be wondering: What do core values look like? Below is a list of 10 core values that are common across organizations in different industries:

Accountability – Acknowledging and assuming responsibility for actions, products, decisions, and policies. It can be applied to both individual accountability on the part of employees and accountability of the company as a whole.

Balance – Taking a proactive stand to create and maintain a healthy work-life balance for workers.

Commitment – Committing to great product, service, and other initiatives that impact lives within and outside the organization.

Community – Contributing to society and demonstrating corporate social responsibility.

Diversity – Respecting the diversity and giving the best of composition. Establishing an employee equity program.

Empowerment – Encouraging employees to take initiative and give the best. Adopting an error-embracing environment to empower employees to lead and make decisions.

Innovation – Pursuing new creative ideas that have the potential to change the world.

Integrity – Acting with honesty and honor without compromising the truth.

Ownership – Taking care of the company and customers as they were one's own.

Safety – ensuring the health and safety of employees and going beyond the legal requirements to provide an accident-free workplace.[25]

Company values are a guide on how the company should run and they are normally integrated in the company's mission statement. Companies should try to establish their company values as a team instead of just the leader or management. By doing so, everyone in the company would feel like they belong and they would feel needed and not neglected.

6.1 COMPANY VALUES

Here are 190 brilliant examples of well-known companies and their company values to help you get an idea and inspiration for writing your own.

Accenture

1. Stewardship
2. The Best People
3. Client Value Creation
4. One Global Network
5. Respect for the Individual
6. Integrity

Adidas

7. Performance: Sport is the foundation for all we do and executional excellence is a core value of our Group.
8. Passion: Passion is at the heart of our company. We are continuously moving forward, innovating, and improving.
9. Integrity: We are honest, open, ethical, and fair. People trust us to adhere to our word.
10. Diversity: We know it takes people with different ideas, strengths, interests, and cultural backgrounds to make our company succeed. We encourage healthy debate and differences of opinion.

Adobe

11. Genuine.
12. Exceptional.
13. Innovative.
14. Involved.

American Express

15. Customer Commitment
16. Quality
17. Integrity
18. Teamwork
19. Respect for People
20. Good Citizenship
21. A Will to Win
22. Personal Accountability

Barnes & Noble Booksellers

23. Customer Service
24. Quality
25. Empathy
26. Respect
27. Integrity
28. Responsibility
29. Teamwork

Ben and Jerry's Ice-Cream

30. We strive to minimize our negative impact on the environment.
31. We strive to show a deep respect for human beings inside and outside our company and for the communities in which they live.
32. We seek and support nonviolent ways to achieve peace and justice. We believe government resources are more productively used in meeting human needs than in building and maintaining weapons systems.
33. We strive to create economic opportunities for those who have been denied them and to advance new models of economic justice that are sustainable and replicable.
34. We support sustainable and safe methods of food production that reduce environmental degradation, maintain the productivity of the land over time, and support the economic viability of family farms and rural communities.

Build-A-Bear

35. Reach
36. Learn
37. Di-bear-sity
38. Colla-bear-ate
39. Give
40. Cele-bear-ate

Coca-Cola

41. Leadership: The courage to shape a better future
42. Collaboration: Leverage collective genius
43. Integrity: Be real
44. Accountability: If it is to be, it's up to me
45. Passion: Committed in heart and mind
46. Diversity: As inclusive as our brands
47. Quality: What we do, we do well

Facebook

48. Focus on impact
49. Move fast
50. Be bold
51. Be open
52. Build social value

Four Seasons Hotels & Resorts

53. Supporting Sustainability
54. Building Communities
55. Advancing Cancer Research

Genentech

56. Passion means we use our drive and commitment to energize, engage and inspire others.
57. Courage means we are entrepreneurial and thus take risks, reach beyond boundaries and experiment.
58. Integrity means we are consistently open, honest, ethical and genuine.

Google

59. Focus on the user and all else will follow.
60. It's best to do one thing really, really well.
61. Fast is better than slow.
62. Democracy on the web works.
63. You don't need to be at your desk to need an answer.
64. You can make money without doing evil.
65. There's always more information out there.
66. The need for information crosses all borders.
67. You can be serious without a suit.
68. Great just isn't good enough.

H&M

69. We believe in people
70. We are one team
71. Straightforward and open-minded
72. Keep it simple
73. Entrepreneurial spirit
74. Constant improvement
75. Cost-consciousness

The Honest Company

76. Create a Culture of Honesty
77. Make Beauty
78. Outperform
79. Service Matters
80. Sustain Life
81. Be Accessible
82. Pay it Forward
83. Fun!

IKEA

84. Humbleness and willpower.
85. Leadership by example.
86. Daring to be different.
87. Togetherness and enthusiasm.
88. Cost-consciousness.
89. Constant desire for renewal.
90. Accept and delegate responsibility.

Kellogg's

91. Integrity
92. Accountability
93. Passion
94. Humility
95. Simplicity
96. A focus on success

Nike

97. It is our nature to innovate.
98. Nike is a company.
99. Nike is a brand.
100. Simplify and go.
101. The consumer decides.
102. Be a sponge.
103. Evolve immediately.
104. Do the right thing.
105. Master the fundamentals.
106. We are on the offense – always.
107. Remember the man. (The late Bill Bowerman, Nike co-founder)

Procter & Gamble

108. Integrity
109. Leadership
110. Ownership
111. Passion for Winning
112. Trust

Rackspace

113. Fanatical Support in all we do.
114. Results first, substance over flash.
115. Committed to Greatness
116. Full Disclosure and Transparency
117. Passion for our Work
118. Treat fellow Rackers like Friends and Family

Southwest Airlines

119. Work Hard
120. Desire to be the best
121. Be courageous
122. Display urgency
123. Persevere
124. Innovate
125. Follow The Golden Rule
126. Adhere to the Principles
127. Treat others with respect
128. Put others first
129. Be egalitarian
130. Demonstrate proactive Customer Service
131. Embrace the SWA Family
132. Have FUN
133. Don't take yourself too seriously
134. Maintain perspective
135. Celebrate successes
136. Enjoy your work
137. Be a passionate Teamplayer
138. Safety and Reliability
139. Friendly Customer Service
140. Low Cost

SquareSpace

141. Be your own customer
142. Empower individuals
143. Design is not a luxury
144. Good work takes time
145. Optimize towards ideals
146. Simplify

Starbucks Coffee

147. Creating a culture of warmth and belonging, where everyone is welcome.
148. Acting with courage, challenging the status quo and finding new ways to grow our company and each other.
149. Being present, connecting with transparency, dignity and respect.
150. Delivering our very best in all we do, holding ourselves accountable for results.

Teach for America

151. Transformational Change
152. Leadership
153. Team
154. Diversity
155. Respect and Humility

Twitter

156. Grow our business in a way that makes us proud.
157. Recognize that passion and personality matter.
158. Communicate fearlessly to build trust.
159. Defend and respect the user's voice.
160. Reach every person on the planet.
161. Innovate through experimentation.
162. Seek diverse perspectives.
163. Be rigorous. Get it right.
164. Simplify.
165. Ship it.

Virgin Airlines

166. We think customer
167. We lead the way
168. We do the right thing
169. We are determined to deliver
170. Together we make the difference

Warby Parker

171. Treat customers the way we'd like to be treated.
172. Create an environment where employees can think big, have fun, and do good.
173. Get out there.
174. Green is good.

Yahoo!

175. Excellence
176. Innovation
177. Customer Fixation
178. Teamwork
179. Community
180. Fun

Zappos

181. Deliver WOW Through Service
182. Embrace and Drive Change
183. Create Fun and A Little Weirdness
184. Be Adventurous, Creative, and Open-Minded
185. Pursue Growth and Learning
186. Build Open and Honest Relationships With Communication
187. Build a Positive Team and Family Spirit
188. Do More With Less
189. Be Passionate and Determined
190. Be Humble

Company values are vital to the overall success of building a business. Companies need to take ownership and define their company values. Company values need to be constantly reinforced and reviewed as they are important to the long-term growth and value of your company. With the list of examples of company values provided, we trust you will be able find or create your company values with ease.[26]

7 CORPORATION POWER

The rise of corporate power was the fall of democracy. Over the long haul, US politics has revolved around a deep tension between democracy and an unrelenting drive for plunder, power and empire. Granted that our democracy has been seriously flawed and only rarely revolutionary, yet the democratic movements are the source of every good thing America has ever stood for.

Since the mid-1970s, when the corporations fused with the state, a new imperial order emerged that killed what remained of representative democracy. Not only would corporations exercise public authority as only government once had, but government would coordinate and serve corporate activity. Power and profits became one and the same. Corporate power has replaced democracy with oligarchy and justice with a vast militarized penal system. Instead of innovative production, they plunder people and planet.

To achieve this new order, elections and the economy had to be drained of any remaining democratic content. Both Democrats and Republicans were eager to have at it.

By the 1990s, "Third Way" Democrats like Bill Clinton abandoned what was left of the New Deal to try to outdo the Republicans as the party of Wall Street. The Republicans pioneered election fraud on a national scale in 2000, 2004, and 2016; a lesson the Democrats learned all too well by the 2016 Primary. Neither major party wants election reform since free and fair elections would threaten the system itself.

So-called private corporations like Facebook, Google and Twitter control information and manage the 1st Amendment. The corporate media now broadcast propaganda and play the role of censor once monopolized by the FBI and CIA. The migration of propaganda work to civilian organizations began under Ronald Reagan.

While both major parties offer the people nothing beyond austerity and the worst kind of identity politics, the big banks like Goldman Sachs gained positions of real influence with both Republican and Democratic administrations and always with the Department of the Treasury and the Federal Reserve. Without public money and political protection the banking system — the headquarters of the mythical free market — could not function.

7.1 THE RISE OF CORPORATE POWER

Corporations made the first big power grab in 1913 when the Federal Reserve was created. Banks were given the power to impose corporate regulation on the "cutthroat competition" of the free market. Competition was chaotic and lowered profits. Corporations killed not just democracy but the free market as well.

Corporations also had their own private militarized police force. The Pinkertons, infamous for attacking striking workers, was the largest armed force in the US in the early decades of the 20th century: larger than the US Army at that time. The mid-1970s were nonetheless a pivotal time as corporations achieved unmatched political supremacy and overthrew a brief period of relative economic democracy. Corporate power was the reaction to the American revolution that occurred between 1955 and 1975.

The corporations wanted to lower wages while maintaining high levels of consumption and profit. Their solution was to deny workers raises while offering instead record levels of credit and debt. And for that move they needed massive banks. Finance capital then leveraged even greater profits by repackaging debt as an investment and selling the world on their scheme. And for that maneuver to work, banks needed to act with the full faith and confidence of the US government.

The shift to austerity for workers and power for bankers began during the mid-1970s as wage increases no longer tracked productivity.

During the last two years of the Carter Administration — with a majority Democratic congress — those trends continued and were dramatically accelerated by Reagan who empowered bankers, revised tax codes and redistributed wealth. By the 1990s, the corporatization of government was more or less complete. Take Robert Rubin's career for example: he was a 26-year veteran of Goldman-Sachs and Bill Clinton's Treasury Secretary. Along with Henry Paulson, Alan Greenspan and Larry Summers, Rubin rewrote economic rules in the image of the corporation: a law unto themselves and in direct command of the power of the state.

A well-funded revolving door insures the power of "Government-Sachs." After the 2008, crash $19 trillion was destroyed as everyday people lost their homes, jobs and pensions but the banks received the largest global bailout in history. Big banks grew larger and more powerful than ever. Not only were there no indictments, but Obama returned Summers, Timothy Geithner and Ben Bernanke to power despite their roles as architects of the crisis. Hillary Clinton pandered to them, Trump railed against them, but after the 2016 election Trump appointed Goldman-Sachs executives to key positions.

7.2 PROPERTY IS THE CREATURE OF THE STATE

In order to kill the economic underpinnings of democracy, Corporate Power rigged the game. So deep is the fusion between the corporations and the state that profits are now created largely by political means. There is nothing "free" about this market; instead it is driven by political intervention every step of the way. From start to finish, the supply chain of corporate profits is government action.

- Big corporations, like Google, Facebook, and Apple start by appropriating technologies developed at the public expense by governments and universities.
- Corporations win billions in subsidies, including $5 trillion a year for fossil fuels. Corporate power depends on what now seems a permanent regime of "quantitative easing" or virtually free money for finance capital.
- Workers are exploited for profit. Low wages and labor standards at home and abroad are enforced by law and trade agreements.
- Most discretionary spending in the US federal budget is for the military-industrial complex which is, with the possible exception of China, the largest centrally planned economy in the world.

- Tax codes permit and encourage corporations to avoid taxes and hoard capital. The amount staggers the imagination: corporations and billionaires shelter between $21 trillion and $31 trillion from fair taxation, a sum equal to the GDP of the US and Japan combined. Political representatives enforce the fiction that the government is broke and austerity measures must be imposed.
- The corporate system still relies on plundering the natural world. The largest cost of resource extraction is environmental destruction. Pollution costs to the tune of $2.2 trillion are "externalized" and taken off the corporate ledger books.
- Risk is externalized and the public pay. The government committed $16 trillion to the bank bailout between 2008 and 2015.

If the true costs of risk, labor, research and development, environmental damage, war, and taxes were charged to their accounts, what corporation could claim profits? On environment costs alone, almost no industry would be profitable.

The fusion of the corporation and the state, not free-market capitalism, is the true political economy of the U.S.

7.3 THE STATE IS THE CREATURE OF PROPERTY

Given that the top 0.1% is now worth as much as the bottom 90% and that long-standing inequalities in wealth have only increased during the Obama Administration and are sure to continue under Trump, the super-rich have the capacity to drown out all others voices and secure their domination of politics in the US.

The price tag for federal elections held in 2016 was $6.5 billion. A tidy sum for an election so bankrupt and dismal that over 90 million eligible voters stayed home and at least 1.75 million that did vote refused to do so for President. Millions more could do no better than hold their noses and vote, once again, for some fabled lesser of two evils.

7.4 CORPORATE POWER MUST BE CONFRONTED

It's late in the day. In a 2014 study — the most comprehensive of its kind — Princeton and Northwestern University researchers have demonstrated the utter lack of democracy in the US. Corporate Power and the US Empire killed American democracy while political cowardice and propaganda have us looking for other perpetrators. No, it's not the Russians. It's our own history, culture and political system.

Corporate power has created a world so unequal that there is no way to change it within the existing political framework. Teams of researchers using data that span thousands of years have concluded that the current extremes in wealth are setting the stage for conflict. In The Great Leveler, historian Walter Scheidel concludes that only mass mobilization wars, transformative revolutions, pandemics or state collapse have redistributed wealth once it has reached current extremes.

Americans have always dreamed that we are an exception to history but we are not. Not only will “incremental change” or the “lesser of two evils” or faith in the wonders of technology fail to prevent disaster — such ideas have delivered us to the crisis we now face. We long for an easy way out — a way that does not demand risk — a way without the only kind of struggle that has ever made history. Of the most likely outcomes that lie ahead, transformative revolution and transformative social movements like Standing Rock are our best chance to minimize violence, reduce harm and create a better world.

Corporate Power is so destructive to democracy and dangerous to the planet because it recognizes no limits other than those imposed upon it. Corporate Power has but one reason for being: the maximum possible profit and the maximum possible power. Corporations must grow or die but now their growth threatens ecocide, perpetual war and the death of

democracy. Such a way of life cannot be sustained. There are but few possible outcomes: the internal contradictions of system will drive us to desperate crisis, or we intervene first, rebuild democracy, protect the planet, and overthrow the corporate dictatorship.[27]

Large corporations are an economic, political, environmental, and cultural force that is unavoidable in today's globalized world. Large corporations have an impact on the lives of billions of people every day, often in complex and imperceptible ways. Consider a consumer in the United States who purchases a pint of Ben & Jerry's ice cream. To many people, Ben & Jerry's represents the antithesis of "big business." In contrast to large firms considered to be focused on growth and profit maximization, Ben & Jerry's is well known for its support of environmental and social causes, its involvement in local communities, and its fair labor practices. For example, as of 2001 the company has packaged all pints in unbleached paperboard Eco-Pint containers and its One Sweet Whirled campaign is dedicated to addressing the issue of global climate change.

In a 1999 Harris Interactive poll, Ben & Jerry's was recognized by the American public as #1 in a ranking of firms according to their commitment to social responsibility. But what the purchaser of the ice cream may not know and cannot determine by reading the packaging, is that it is now a product manufactured by a major global corporation. In 2000, Ben & Jerry's was purchased in a semi-hostile takeover by Unilever, one of the largest consumer goods manufacturers in the world. No longer an independent company, Ben & Jerry's is now one of more than 400 brands owned by Unilever, jointly headquartered in England and the Netherlands. Unilever's annual sales of around $50 billion made it number 106 on the 2006 list of the largest corporations in the world ranked by annual revenues. Unilever owns brands used by over 150 million people every day, including Hellmann's mayonnaise, SlimFast diet products, Breyer's ice cream, Lipton teas, Ragu sauces, ThermaSilk shampoos, and Dove soap. Ben and Jerry's annual revenues now represent less than 0.5% of Unilever's sales. Unilever employs over 200,000 people worldwide, including the 700 or so who work for Ben & Jerry's.

The acquisition of Ben and Jerry's by Unilever is but one example of the growth and increasing globalization of modern corporations. The growth of these corporations is typically measured in economic terms – profits, assets, number of employees, and stock prices. However, the impact of global corporations extends well beyond the economic realm. The production decisions of large firms have significant environmental implications at the national and global level. Corporations exert political influence to obtain subsidies, reduce their tax burdens, and shape public policy. Corporate policies on working conditions, benefits, and wages affect the quality of life of millions of people. Some people perceive the ascendancy of global corporations as a positive force, bringing economic growth, jobs, lower prices, and quality products to an expanding share of the world's population. Others view large firms as exploiting workers, dominating the public policy process, damaging the natural environment, and degrading cultural values. One thing is for certain – global corporations are an inescapable presence in the modern world and will be so for the foreseeable future. The relevant issue is not whether corporations should play an important role in our economy and our society. Instead, we should consider how to ensure that the behavior of large corporations aligns with the broader goals of society, including both economic and non-economic goals. This section presents an overview of the modern multinational corporation (MNC). We first discuss MNCs in traditional economic terms, asking such questions as:

- How many multinationals exist and where are they located?
- What measures should we use to identify the world's largest firms?
- Which firms are the largest in the world and how has the composition of these firms changed over time?
- Are the world's largest firms really becoming "bigger" over time?
- What factors explain the growth of MNCs?
- How do multinational corporations exert power in the political arena and have they become more powerful over time?
- What are the social and environmental responsibilities of large firms?
- Have corporations taken voluntary steps to improve their social and environmental performance?

The section concludes with a discussion of how the behavior of corporations can be affected by regulations at the national and international level.

In the traditional economic view, corporations are entities that provide maximal benefits to society when they continually seek greater profits. We'll see that this view holds little validity – MNCs are unlikely to provide the greatest social benefit through their own volition. All those impacted by the decisions of multinationals must be given an acknowledged voice through existing or new institutional arrangements. Realizing the full potential of MNCs to serve the welfare of society will require a mixture of voluntary initiatives, market forces, and regulations.

The Economic Size of MNCs

The world's largest corporations are clearly huge economic organizations. But do these MNCs dominate the global economic landscape, as some commentators have suggested? Some statistics that have been used to illustrate the economic magnitude of the world's largest firms misleadingly compare the annual revenues of large corporations to the gross domestic product (GDP) of nations. But revenue data are not directly comparable to GDP data. National income accounts are kept in terms of value added, which is measured as the sales of a firm less the amount paid to other firms for inputs. When comparisons are made between corporate and national output, the data should be presented in similar metrics.

The majority of the world's economic activity does not occur in a small number of gargantuan multinationals. According to data published by the United Nations, the world's 100 largest firms directly accounted for 4.3% of global economic activity in 2000 based on value added.

Data published by the U.S. Census Bureau present statistics on the domestic and foreign economic activity of all nonbank U.S. MNCs. In 2003, these corporations contributed $2.7 trillion to the world's gross product, or about 7% of the global total of $36.9 trillion. No data are available on the contribution of all MNCs to world economic activity. However, considering that the U.S. GDP is about one-third of the global total, an estimate that the world's 75,000 multinationals are responsible for about 20% of the world's economic activity might be considered reasonable.

The Economic Growth of MNCs

By some, but not all, measures the economic magnitude of the world's largest firms is increasing relative to the rest of the economy. The amount of revenue received by the world's 200 largest corporations in 1983 was equivalent to 25.0% of gross world product but equal to 27.5% in 1999 and 29.3% in 2005. The growth is proportionally larger when we consider value added – in 1990 the world's top 100 MNCs accounted for 3.5% of world product but they accounted for 4.3% in 2000. Again using value added, in 1990, twenty-four of the world's 100 largest economies were countries; by 2000, this had risen to twenty-nine.

The report goes on to state that the revenues of the world's 200 largest corporations were equivalent to 27.5% of world gross domestic product (GDP) in 1999. These data make the world's largest corporations appear very large indeed – do the largest corporations really generate over one-quarter of the world's economy?

There are serious conceptual problems with such comparisons because corporate revenue is not equivalent to GDP, which is measured in terms of value added. To make the comparison valid, the economic impact of corporations should also be measured in terms of value added. For example, the value added from Wal-Mart would be equal to total revenues minus the value of payments to suppliers. When this is done, 29 of the world's 100 largest economies are companies. In 2000, the world's largest MNC by value added was ExxonMobil, with a value added of $63 billion. This is still larger than the GDP of such countries as Pakistan, New Zealand, Hungary, and Vietnam.

While the revenues of the 100 largest corporations equate to about 20% of world GDP, the more relevant comparison, using the value added metric, indicates that the 100 largest corporations account for 4.3% of world GDP. While this is still a significant portion, it does not imply that a small number of firms dominate the global economy. But other statistics suggest that the growth of large corporations has paralleled the growth of the world economy. Consider that the world gross product increased by a factor of 3.89 in nominal terms between 1983 and 2005. Annual revenues for the world's 50 largest firms grew at a similar pace during this same time period – by a factor of 3.92.

But perhaps more indicative of economic power, the value of capital assets owned by the world's 50 largest corporations increased by an astonishing 686% between 1983 and 2001.

This growth in revenues and assets was not matched by a comparable growth in employment. In 2002, the Fortune Global 500 corporations employed about 47 million people, an average of nearly 100,000 each. With a global labor force of over three billion, these 500 firms employ 1.6% of the world's labor force. While the profits of the world's 50 largest corporations increased by a factor of about 11 between 1983 and 2005, employment in the largest 50 firms increased by only a factor of 2.3 during those years.

7.5 TRADITIONAL EXPLANATIONS OF THE GROWTH OF THE LARGE CORPORATIONS

Most of the world's largest corporations started as surprisingly small enterprises. Unilever began as a soap making company started by two brothers in 1885. Ford Motor Company began in a small factory in Detroit in 1903. Wal-Mart opened with a single store in Arkansas in 1962. How have some firms become so large?

The two traditional economic explanations for the growth of firms have been economies of scale and economies of scope. Economies of scale arise when a firm lowers its per-unit production costs of a particular product by producing in greater quantity. Division of labor through specialization is one reason per-unit costs decrease as production increases. Adam Smith described in the 18th century how a pin factory can increase its output significantly if each worker repeatedly performs a specific task in the production process rather than having each worker independently make complete pins from scratch.

In modern MNCs, economies of scale exist not only because of division of labor but by combining, and often replacing, human labor with mechanized production. Investment in large-scale production equipment and the latest technologies is generally very expensive.

These may be affordable only to large firms with substantial financial reserves or access to credit. Thus, firms that are already large can gain a further advantage over smaller competitors. For some products, per-unit costs continue to fall as firms become larger. In such cases we would expect that a few very large firms would eventually come to dominate the market. This has occurred in industries such as automobile production and petroleum exploration and refining.

We should realize that large corporations have not arisen in all markets. In some industries the minimum efficient scale, the level of production where average per-unit costs tend to reach their minimum level, is relatively small. This generally occurs for services that are provided in-person directly by the supplier, such as home and auto repair services, child care, and education.

Small firms may actually have an advantage over large firms in many instances. While large firms such as McDonald's and Burger King have come to dominate the low-price restaurant market, brand name franchises and chains are generally absent when it comes to upscale restaurants. One reason is that many customers of higher-priced restaurants seek a special "local" experience that a franchise could not offer.

Economies of scope arise when a firm can lower per-unit costs by expanding the variety of products it makes. Typically a firm will expand its product line by making goods similar to those already being produced, which allows the firm to take advantage of existing marketing networks or production facilities. For example, a telephone company may expand into providing Internet services or an ice cream producer may add yogurt to its product line (as was done by the ice cream manufacturer Breyer's, a company that is now part of Unilever). An exception, of course, is the provision of education through electronic media such as videos and computers. At least currently, education is primarily provided through in-person contact.

Firms may also achieve economies of scope through the production of unrelated products. An example is the conglomerate General Electric, which produces such diverse goods as aircraft engines, home appliances, medical equipment, wind power turbines, and televisions, as well as providing financial services to businesses and consumers and owning the television network NBC.

Conglomerates can achieve economies of scope through managerial efficiency, financing flexibility, political power, or the centralization of research and marketing.

7.6 THE INTERNATIONAL MOBILITY OF MULTINATIONAL CORPORATIONS

While these conventional factors explain the growth of many large corporations, the most notable competitive advantage of MNCs in recent years is likely international mobility – the ability of a firm to transfer resources across national borders. In the decades following World War II, the "internationalization" of corporations, primarily American, took place through the establishment of foreign affiliates intended to serve the markets in which they were located. For example, Ford established Ford of Europe in 1967 to produce vehicles for European consumers.

With falling trade barriers and lower transportation costs, firms increasingly look abroad not only for new markets to sell their products but for low-cost production opportunities.

MNCs that take advantage of cheap foreign labor gain an advantage over less mobile firms that remain dependent on higher-cost labor. Low-cost foreign labor is a major factor explaining the growth of multinationals in such sectors as electronics and apparel. Savings from low-cost foreign production are increasingly achieved through contracts with external suppliers, a trend commonly referred to as outsourcing. The outsourcing of production jobs to foreign countries is perceived by many to be a primary reason for the loss of traditional "blue collar" jobs in industrial countries. Relying on subcontractors offers MNCs several advantages. First, with short-term contracts and no large capital investments firms can quickly shift to contracts in other countries if even lower costs are possible. Second, corporations can avoid some responsibility for instituting fair labor practices and meeting environmental standards by claiming these are at least jointly the duty of the subcontractors.[28]

Over the past four decades, large corporations have learned to play the Washington game. Companies now devote massive resources to politics, and their large-scale involvement increasingly re-directs and constricts the capacities of the political system.

The consequence is a democracy that is increasingly unable to tackle large-scale problems, and a political economy that too often rewards lobbying over innovation.

Prior to the 1970s, few corporations had their own lobbyists, and the trade associations that did represent business demonstrated nothing close to the scope and sophistication of modern lobbying. In the 1960s and the early 1970s, when Congress passed a series of new social regulations to address a range of environmental and consumer safety concerns, the business community lacked both the political will and the political capacity to stop it.

These new regulations, combined with the declining economy, awoke the sleeping political giant of American business. Hundreds of companies hired lobbyists for the first time in the mid-1970s, and corporate managers began paying attention to politics much more than they ever did before.

When corporations first became politically engaged in the 1970s, their approach to lobbying was largely reactive. They were trying to stop the continued advancement of the regulatory state. They were fighting a proposed consumer protection agency, trying to stop labor law reform, and responding to a general sense that the values of free enterprise had been forgotten and government regulation was going to destroy the economy. They also lobbied as a community.

Facing a common enemy (government and labor), they hung together so they wouldn't hang separately. But as the labor movement weakened and government became much more pro-industry, companies continued to invest in politics, becoming more comfortable and more aggressive. Rather than seeing government as a threat, they started looking to government as a potential source of profits and assistance. As companies devoted more resources to their own lobbying efforts, they increasingly sought out their own narrow interests. As corporate lobbying investments have expanded, they have become more particularistic and more proactive. They have also become more pervasive, driven by the growing competitiveness of the process to become more aggressive.

External events may drive initial corporate investments in Washington. But once companies begin lobbying, that lobbying has its own internal momentum. Corporate managers begin to pay more attention to politics, and in so doing they see more reasons why they should be politically active. They develop a comfort and a confidence in being politically engaged. And once a company pays some fixed start-up costs, the marginal costs of additional political activity decline. Lobbyists find new issues, companies get drawn into new battles, and new coalitions and networks emerge. Managers see value in political engagement they did not see before. Lobbying is sticky.

Lobbyists drive this process. They teach companies to see the value in political activity. They also benefit from an information asymmetry that allows them to highlight information, issues, and advocacy strategies that can collectively make the strongest case for continued and expanded political engagement. Because corporate managers depend on lobbyists for both their political information and strategic advice, lobbyists are well-positioned to push companies towards increased lobbying over time.

But what effect has it all had on public policy? Social science research on political influence has found no relationship between political resources and likelihood of success. However, the lack of a direct, statistically significant correlation does not mean that there is no influence. It just means that the influence is unpredictable. The policy process is neither a vending machine nor an auction. Outcomes cannot be had for reliable prices. Policy does not go to the highest bidder. Politics is far messier and far more interesting than such simplistic models might suggest. And almost certainly, the increased competition for political outcomes has made it even more unpredictable.

Sometimes lobbying can be very influential, but its influence is contingent on so many confounding factors that it does not show up reliably in regression analysis. Yet, the study of influence is a fundamental question of politics. Rather than looking for vote buying or expecting resources to correlate predictability with policy success, we must think bigger.

We must understand the ways in which increases in lobbying activity shape the policymaking environment, and how the changing environment may allow some types of interests to thrive more than others.

The current political environment benefits large corporations for several reasons. The first reason is that the increasingly dense and competitive lobbying environment makes any major policy change very difficult. As more actors have more at stake, every attempt to change policy elicits more calls from more voices. In a political system, whose many veto points already make change difficult, the proliferation of well-mobilized corporate lobbying interests, all with their own particular positions and asks, means that there are more actors with the capacity to throw more sand into the already creaky machinery of the multistage policy process. In order for any large-scale change to happen, lobbying generally must be one-sided. To the extent that large corporations benefit from the status quo, a hard-to-change status quo benefits large corporations.

But while the crowded political environment may make legislation harder to pass in general, it also makes the legislation that does pass more complicated (more side bargains). Large companies are more likely to have the resources and know-how to push for technocratic tweaks at the margins, usually out of public view.

This contributes to what Steven Teles calls the "complexity and incoherence of our government." Teles notes that this complexity and incoherence has a tendency to "make it difficult for us to understand just what that government is doing, and among the practices it most frequently hides from view is the growing tendency of public policy to redistribute resources upward to the wealthy and the organized at the expense of the poorer and less organized." The more complicated things become, the more of an advantage it is for corporate lobbyists looking to influence the out-of-sight, hard-to-understand, but sometimes highly consequential nooks and crannies of the U.S. code.

The increasing complexity of policy also makes it more difficult for generalist and generally inexperienced government staffers to maintain an informed understanding of the rules and regulations they are in charge of writing and overseeing. They typically have neither the time to specialize nor the experience to draw on.

As a result, staffers must rely more and more on the lobbyists who specialize in particular policy areas. This puts those who can afford to hire the most experienced and policy-literate lobbyists—generally large companies—at the center of the policymaking process.

Increasingly, corporations are not just investing in direct lobbying, but also in think tanks and academic research and op-eds and panel discussions in order to shape the intellectual environment of Washington—to make sure that certain frames and assumptions come to mind immediately and easily when policymakers consider legislation and rules.

Lobbying efforts now tend to come buffeted by footnotes; by white papers and detailed estimates of how a particular member's constituents will be impacted. It is likely that most material winds up in the "circular file" (a round trash can), and most hosted policy discussions are sparsely attended. But collectively, they take up time and attention and mind space. Their ceaseless presence shapes the larger intellectual environment of Washington. They are also often a necessary prerequisite for being taken seriously (however aggressive or dubious the number-crunching behind them). And they take time, effort, and—most importantly—money to produce.

A growing lobbying industry also siphons more and more talent from the public sector. The lobbying firms and corporate Washington offices that cluster around K Street generally provide better hours, better working conditions, and most of all, better salaries than government, especially Capitol Hill. Congressional staffers can usually at least double their salaries by "going downtown" (shorthand for becoming a lobbyist, since K Street is downtown).

An increasing share of political and policy expertise increasingly resides in the law, lobbying, and strategic advice firms of Washington, DC, where a growing number of experienced political insiders and experts are available, for a fee, to the (mostly) corporations who can afford to hire them (and by extension, their rolodexes). Few diffuse interests groups, by contrast, can afford their fees.

Of course, nothing in the current Washington policymaking environment guarantees influence for any individual corporation. If anything, these changes probably reduce the expected return on investment in lobbying by raising the costs. On many issues, companies fight other companies to a standstill for years, with only the lobbyists on both sides benefiting.

But this is not a sign that pluralism is alive and well. One also needs to ask: what issues are being left off the agenda? What groups and interests can't get into the fight without attaching themselves to a cause that large corporations also care about? How much of the policy capacity of the federal government is being used up refereeing parochial industry disputes, as opposed to dealing with other issues?

Nor are these changes generally good for business as a whole. Certainly, individual market leaders may benefit from the current environment, with its strong status quo bias and its rent-seeking possibilities (at least for those who can afford the right—and right number of—lobbyists). But overall, the increasing difficulty of political change reduces the capacity of the federal government to challenge the existing status quo, even when it is anti-innovation and antimarket.

The current U.S. tax code, as former representative Bill Frenzel puts it, "is a hopelessly complex mess, antithetical to growth, and is crammed with conflicting incentives." Yet comprehensive tax reform has been a political impossibility for a long time. The tax code may be the most compelling example of how the increased particularism of business lobbying undermines the interests of business as a community. Almost everyone in the business community realizes that the U.S. tax code is, as a whole, bad for the economy. But while there is always talk of a "grand bargain" on taxes, nobody is willing to be the first to put their tax benefits on the table. Hence, the "grand bargain" remains largely talk.

"Individual American corporations have more political power in the early twenty-first century than at any time since the 1920s," writes Mark Mizruchi. However, "unlike their predecessors in earlier decades, they are either unwilling or unable to mount any systematic approach to addressing even the problems of their own community, let alone those of the larger society." Consider what happened in 2013, when partisan warfare led to a 16-day government shutdown and threatened to let the United States default on its debt. In the run-up to the government shutdown, Paul Stebbens, the CEO of World Fuel Services who had been active in the "Fix the Debt" campaign, told the *Washington Post*: "Let's start with the basic fact that business was part of the problem. In August of 2011, I was meeting with the Business Roundtable in D.C., and most business guys were running around the world being busy running their corporations and not paying a lot of attention in a general way . . . We have a higher duty of care to engage this issue. It is grossly reckless to watch the long-term business trajectory of the U.S. to be at such risk. And we are part of the pathology that got us here. We've all had our K Street lobbyists who are part of the problem."

While the business community was very unhappy about the budget brinksmanship in Washington, this was not the kind of issue that companies had experience lobbying. Instead, corporate lobbying has all gone to educate congressional offices about the particular concerns of specific industries and companies.

As a result, members of Congress have done impressive work on behalf of particular companies and particular industries. However, they've been misled into thinking that the sum total of all their targeted support (essentially, picking winners through public policy) is somehow good for the economy, because each policy they support is promoted individually as good for the economy or good for business.

Even if fellow business leaders did agree with Stebbens that their K Street lobbyists were indeed "part of the problem," it seems unlikely that they would tell them all to go home. Large companies are unlikely to risk ceding any political advantages to competitors. After all, if they've invested significant resources in politics, they've surely been convinced that engagement is important. Why would they change their minds now? Especially when political engagement still remains cheap relative to what is at stake.[29]

8 CORPORATIONS AND THE WORLD

The current worldwide economic crisis is showing in dramatic fashion just how global the economy has become. What began as movements of capital out of a few developing countries has become a full-blown Asian recession that threatens to engulf the West as well. Financial and product markets are far more interconnected than ever before. Even in the early part of the twentieth century, a supposed heyday of globalization, only a small number of countries handled most of the currencies and goods being traded. As we enter the next century, it is fair to say that nearly all countries are navigating a single economic sea.

It is one thing to say that the markets of the world are coming together. But are global markets creating globally minded companies? Are we seeing the emergence of rootless corporations guided only by market opportunities, not by allegiance to their home countries? As managers look for growth outside their home regions, are they shaking off traditional operating rules in favor of supposed global ideals of behavior? Are company practices matching the grand rhetoric of globalization? In the political realm, are global companies overwhelming the efforts of nations to preserve their distinctive identities?

For the authors of *The Myth of the Global Corporation,* the clear answer to those questions is no. They see enormous differences among multinational companies, which they trace to the unique political and economic characteristics of their home countries. When it comes to corporate behavior, the authors show convincingly that nationality is destiny.

8.1 NATIONAL DESTINIES

This is a timely and brave book, given the widespread view that globalization means convergence among nations and companies toward common ways of doing things. Two of the authors are academics, and the other two are analysts at the U.S. Department of Commerce. The book has inspired passages such as this one: “However lustily they sing from the same hymnbook when they gather together in Davos or Aspen, the leaders of the world’s great business enterprises continue to differ in their most fundamental strategic behavior and objectives.” But most of it consists of factual analysis.

The first half examines national differences among multinational companies based in Germany, Japan, and the United States; multinationals in France and Britain show up only briefly. Differences in corporate governance, especially ownership patterns, get most of the attention.

The authors make the usual arguments about the strong role of banks in Japan and Germany, which invest for the long term. German managers have a great deal of autonomy except in crises, while their Japanese counterparts are often constrained by obligations arising from the corporate networks overseen by the banks. By contrast, the stock of U.S. companies is traded in blocks by short-term-oriented pension, insurance, and mutual funds. Although U.S. managers rarely face direct supervision, they are heavily influenced by movements in their company's stock price.

Investments in R&D also reveal national differences. U.S. companies often aim for breakthroughs in science-based industries, whereas their German and Japanese counterparts prefer incremental, process-based advances in "medium-technology" industries such as automobiles. Moreover, U.S. managers typically use R&D to achieve specific goals for their own company. R&D in Germany is highly cooperative across companies and aims to diffuse innovation throughout the economy. Japanese companies are also oriented toward diffusion, but the national government often steps in to promote specific objectives for innovation in various industries.

All of these differences, the authors explain, make sense in light of how each country developed. Americans have traditionally distrusted concentrated power, so individual banks never achieved the great influence they enjoy elsewhere. In Germany and Japan, which industrialized after the United States, a few large banks helped to speed up the process by filling the crucial role of channeling savings into capital-poor corporations. Even today, these companies rely more on banks for their capital than on broader financial markets. Their cautious, cooperative approach to innovation probably reflects similar national goals of stability and control. By contrast, U.S. companies have emphasized fundamental technological advances ever since the great successes of World War II, which initiated a government-led push for basic scientific research.

These national traits, say the authors, work to discourage multinational companies from adopting a truly global perspective. In the second half of the book, the authors focus on what companies are doing with their investments in other countries. Are they accessing the sort of global technology base that proponents of globalization have predicted? Or are they sticking to what the authors call their "national systems of innovation"?

For evidence, the authors rely heavily on surveys conducted by the U.S. Department of Commerce, which asked multinational companies about their foreign investments. The results of the surveys give only a crude picture of corporate activity, but they do indicate overall trends. It is true that foreign affiliates of multinationals are taking on a greater share of R&D. But the vast majority of such work still takes place in the home country. And the affiliates tend to concentrate on adapting the original product to local needs. Except in a few highly technical industries such as pharmaceuticals, the technology flows from parents to affiliates; the parents usually aren't trying to tap into global sources of innovation.

Is the book on target? The central thesis, that multinational corporations bear the imprint of their national origins, is correct in general terms. The only "anational" organizations of any kind are likely to be international agencies populated by polyglot employees. Every company carries the baggage of its home environment as it expands internationally.

If anything, the authors understate the institutional differences across countries. In addition to corporate governance and innovation, national regulations on employment also affect corporate strategies. Take the United States' continued emphasis on science-based R&D. If U.S. companies are driven to short-term goals by myopic financial markets, how do they have the patience to invest in risky scientific enterprises that promise only distant rewards? Part of the answer may lie in the unique characteristics of the U.S. labor market. Because the U.S. labor force is largely unregulated, managers have a great deal of flexibility in bringing people together in response to market opportunities. People are willing to work on risky ventures because they can receive large rewards if the venture is successful or they can move easily to other companies if the venture fails. The German workforce, by contrast, is highly organized and protected by both unions and the government. Japanese workers have fewer external protections, but their companies are committed to keeping employment stable.

8.2 NATIONAL COMPANIES, GLOBAL REACH

The difficulties of adapting to national differences are likely to discourage many companies from relying heavily on foreign affiliates for basic innovation. But that doesn't mean businesses are necessarily shrinking from global opportunities. Companies can be integrated into worldwide markets without conforming to a single, global ideal of behavior. Nor do they need to have dynamic affiliates all over the world. The free movement of trade and people allows companies to compete on a global basis without straying far from headquarters.

The book does not address in detail what national differences mean for corporate competitiveness, but they're worth examining closely. This is where the debate on the global economy and the nation state becomes fascinating. As we know from the theory of comparative advantage, when countries open up to international trade and investment, their companies tend to specialize in whatever the country of operation does best. As long as the global economy remains relatively open, nations will increasingly consist of highly specialized activities in a worldwide production chain. Countries tend to foster competencies in their companies and public institutions that favor particular kinds of products and ways of doing things.

Take the Japanese focus on medium-technology industries such as automobiles. Success in this industry requires a disciplined and stable labor force willing to invest in learning the skills required to achieve world-class performance. Profitability depends on incremental innovation and close coordination with fellow employees, suppliers, and markets. Japanese companies have fine-tuned these capabilities to the point that their cars are in demand almost everywhere.

Countries that allow the easy migration of skilled labor can specialize all the more. U.S. companies have benefited enormously from this movement. When people come to the United States to work, they usually adapt to U.S. institutions while still maintaining personal and professional links to their home country. As a result, U.S. companies are able to take advantage of global labor markets without altering their institutional foundations.

We can best see the global division of knowledge work in the computer industry. Each year, thousands of well-educated engineers graduate from India's institutes of technology: some migrate to Silicon Valley, others go to Bangalore, India's high-tech capital, and others move back and forth between the two. Those transplanted to Silicon Valley work in circumstances remarkably different from those in their home country. Engineers regularly move between companies, and their high salaries are closely tied to the demands of this dynamic and fluid external labor market. Knowledge flows freely within and across companies, and job titles and other accoutrements often mean little. (At Intel, Andrew Grove actually sits in a cubicle, just as his employees do.) And companies can start up and close down rapidly. If the company is in a downward spiral, the human capital walks out the door in no time at all; yet the departing workers—and their knowledge—stay in the region. These flexible arrangements promote a highly innovative working environment.

Bangalore, by contrast, has a different sort of comparative advantage. Many of its companies are working on the Year 2000 problem and other labor-intensive software challenges. Their physical capital is much weaker—most companies rely on batteries to back up the faulty electrical supply. And even though wages are rising rapidly, there's still abundant and cheap labor for doing lower-order activities on a highly competitive basis. To manage this labor, companies in Bangalore rely much more on supervision than do their equivalents in Silicon Valley.

For the authors of *The Myth of the Global Corporation,* these differences might be evidence that U.S. and Indian companies are shying away from global integration. But even though Microsoft may have only a small office of its own in Bangalore, it still relies heavily on its Indian counterparts to do work on the global software value chain. These companies continue to reflect their national origins, but they have learned to manage resources and divide responsibilities on a global basis.

Globalization, however, does not always work so smoothly. The trouble occurs when a company's ambition goes up against rigid national institutions that do not easily adapt. Take the computer division of Siemens, the big German electronics group. It has heroically tried to make itself more innovative in the face of global competition. Should Siemens adopt the flat internal organization of Silicon Valley? Even if the government allowed the change, it could be a disastrous mistake. The German labor market is based on the assumption that workers build their skills in return for gradual increases in pay within companies. Without this guaranteed link between skill and reward, the labor force might lose the skills that have given the country its competitive advantage in slower-moving industries such as automobiles. Individual German companies cannot simply change their organization and their competencies if the country's labor markets do not support their efforts. As worldwide competition in high technology intensifies, German companies may not be able to keep up without shifting R&D to environments that are more flexible.

The message is simple: what managers can do strategically depends on where they are located. The authors are right to highlight the national influences on multinational companies—they do limit corporate behavior in important ways. But supposedly parochial policies can actually make companies more competitive on a global scale, not less.

If companies like Siemens decide to shift some activities to surroundings more conducive to innovation, the easiest path is through an acquisition or merger. But what happens when a company from one national environment has to manage operations in another? *The Myth of the Global Corporation* suggests that companies cannot escape their national traits, making international mergers difficult. And there certainly is evidence for such pessimism. A fine example is the investment banking industry, in which the so-called Anglo-Saxon system appears to excel. In the early 1990s, Deutsche Bank and Dresdner Bank purchased several British investment firms, only to find that the high-stakes, high-incentive pay of the City could not be easily integrated with traditional German compensation practices. No amount of learning could resolve the conflict of employee incentives that were irrevocably locked into the respective national systems.

But that's not true for all mergers. Consider the case of Chrysler and Daimler-Benz. These two companies carry out almost all of their manufacturing at home, and they are marked by very different management styles and capabilities. Chrysler demonstrates typical American strengths in managing new product development, whereas Daimler-Benz exhibits the usual German strengths in production engineering. Still, there's no reason why the combined companies cannot continue to operate on largely national lines and take advantage of each partner's strengths.

Observers have pointed to the enormous disparities in compensation at the top of the two companies, and there's no doubt that the high-paid American executives will be under some uncomfortable scrutiny. But problems at this level can be outweighed by the advantages of the merger if the combined company maintains continuity at the operational level, where the work actually gets done. As long as the company preserves the appropriate institutional framework for its operations in each country, it can expect to benefit from what each country has to offer.

Indeed, for all the talk about compensation disparities, few observers have called for Daimler's workers to accept a smaller benefits package. Despite the fact that Germany is the most expensive location in the world for labor and despite the differences in corporate governance, U.S. companies in a number of industries already invest a good deal in Germany. They do so because their success depends on local skills, and Germany's productivity and quality more than make up for the higher costs.

By focusing on how companies are the products of their national systems, the authors discount the opportunities for multinational corporations to prosper in a world balanced by global and local influences. In cases where the incentives for managers and workers do not conflict, international mergers can help companies exploit national advantages.

Indeed, globalization can actually strengthen national differences, not erode them. DaimlerChrysler presumably will shift some of its product development to Detroit, further encouraging the U.S. penchant for rapid innovation. Stuttgart, for its part, will take on more responsibility for engineering and the design of high-performance systems, further boosting Germany's elaborate institutions of vocational training. Multinational companies will be eager to support national practices that promote global competitiveness.

We can already see this integration gaining momentum with global alliances. The authors point out that most technological alliances still take place among companies from the same nation. But the situation is not so simple. A study I carried out with two colleagues found that large companies in the biotechnology and semiconductor industries act as bridges across countries and large regions. Small companies from different countries rarely form alliances with one another; it takes big enterprises like Novartis and Motorola to make such connections. From space, the world might appear to be broken up into concentrated regions of entrepreneurial activity. But between these regions lie the superhighways of multinational corporations, bringing the world together.

8.3 NATIONAL DEBATES, GLOBAL IDEAS

If the global economy is going to arrange itself around national comparative advantage, then managers face a special challenge—one that isn't addressed specifically in this book. Although the current financial crisis may be reviving some doubts about globalization, there is still enormous cultural momentum for economic convergence. In the 1980s, political critics wanted every country to imitate Japan. Now, the thriving United States has become the standard-bearer of the increasingly pervasive global economy. The authors of *The Myth of the Global Corporation* are skeptical that this kind of cultural momentum will make economic institutions bend in times of crisis. But as the world comes to believe in globalization, politicians may come under intense ideological pressure to change these fundamental institutions.

The question now is how to react to the momentum for institutional convergence. Certainly, managers should welcome a degree of convergence at a minimum level of good policy. Already Japan and other Asian countries are likely to adopt a degree of U.S.-style regulatory policy for banks as the countries emerge from recession. But if Germany deregulates its labor markets to imitate the high-flying United States, it may endanger the skills that make it such an attractive place for investment. How can countries change their institutions to boost global competitiveness without losing the advantages they already have? The answers are far from clear.

The national debates over globalization now taking place, from the streets of France to the villages of Indonesia, should not be dismissed. They raise not only powerful concerns over the survival of national cultures and the unfairness of rapid change but also complex questions about the sources of a nation's advantages. Globalization is a powerful force not just because influential political and economic interest groups, frustrated with national institutions, have made it their war cry. Globalization is powerful because it is an idea that has seeped into the imagination of ambitious individuals in all corners of the world, even though many find the concept alarming. Trying to create the right balance between the national policies that undergird competitiveness and the aspirations of a globally conscious world citizenry is a major challenge for managers and their companies.[30]

Imagine a world in which all of the main functions of society are run for-profit by private companies. Schools are run by multinationals. Private security firms have replaced police forces. And most big infrastructure lies in the hands of a tiny plutocratic elite. Justice, such as it is, is meted out by shady corporate tribunals only accessible to the rich, who can easily escape the reach of limited national judicial systems. The poor, on the other hand, have almost no recourse against the mighty will of the remote corporate elite as they are chased off their land and forced into further penury. This sounds like a piece of dystopian science fiction. But it's not. It's very close to the reality in which we live. The power of corporations has reached a level never before seen in human history, often dwarfing the power of states.

Today, of the 100 wealthiest economic entities in the world, 69 are now corporations and only 31 countries. At this rate, within a generation we will be living in a world entirely dominated by giant corporations.[31]

As multinationals increasingly dominate areas traditionally considered the primary domain of the state, we should be afraid. While they privatize everything from education and health to border controls and prisons, they stash their profits away in secret offshore accounts. And while they have unrivalled access to decision makers they avoid democratic processes by setting up secret courts enabling them to bypass all judicial systems applicable to people. Meanwhile their raison d'etre of perpetual growth in a finite world is causing environmental destruction and driving climate change. From Sports Direct's slave-like working conditions to BP's oil spill devastating people's homes, stories of corporations violating rights are all too often seen in our daily papers.

Yet the power of corporations is so great within our society that they have undermined the idea that there is any other way to run society. We are all too familiar with hearing about the threat of "losing corporate investment" or companies "taking their business somewhere else" as if the government's number one task is to attract corporate investment.

It is this corporate agenda that permeates the governing institutions of the global economy, like the World Trade Organisation and the International Monetary Fund, whose policies and operations have given more importance to the "rights" of big business than the rights and needs of people and the environment.

The problem of unrestrained corporate power is massive, and it requires a massive solution. That is why Global Justice Now is launching a petition to the UK government demanding that it backs the new UN initiative for a legally binding global treaty on transnational corporations and human rights.

This UN treaty is the result of campaigning by countries from across the global south for international laws to regulate the activities of TNCs. In June 2014 they successfully got a resolution passed in the UN Human Rights Council (UNHRC) establishing the need for such a treaty.

A working group of member states has been set up to take the treaty forward, chaired by Ecuador, they have met once already in 2015, and have the next meeting scheduled for October 2016 to discuss the scope and content of the treaty. Meanwhile, civil society groups from across the world have come together and formed the Treaty Alliance movement which aims to make sure the treaty comes in to being with truly meaningful content.

Although it may sound like a boring technical process, this treaty is something we should be excited about because it provides a huge opportunity in the fight to restrain corporate power. It has massive potential to withdraw the privileges that corporations have gained over recent decades and force them to comply with international human rights law, international labor law and international environmental standards. It would oblige governments to take the power of corporations seriously and hold them to account for the power they wield. This would standardize how different governments relate to multinationals which means that rather than allowing them to play countries off against one another in a race to the bottom, it would force minimum standards.

But the UK government, well known for its cozy relationship with corporations, has so far refused to take part in this UN treaty. And the UK are not alone, most other EU countries are also opposed to the treaty.

We need to make sure our government doesn't pass up on this rare opportunity to provide genuine protection for the victims of human rights abuses committed by multinational corporations and place binding obligations on all governments to hold their corporations to account for their impacts on people and the planet.

Of course, the battle against corporate power has many fronts and the UN treaty is only one part of it. At the same time, we need to continue to develop alternative ways to produce and distribute the goods and services we need. We need to undermine the notion that only massive corporations can make the economy and society 'work'. Food sovereignty and energy democracy are just two examples of how it is possible to build an economy without corporations. But as long as corporations do play a role in our economy, we need to find ways to control their activity and prevent abuses. This is why we need to fight for this UN treaty.[31]

9 CORPORATION AGILITY

The first is **Ericsson,** a 140-year old Swedish firm with around 100,000 employees. Among many other things, it manages networks for the world's telecommunications companies, covering 40% of the world's mobile phone traffic. In 2011, this unit in Ericsson with several thousands of people embraced Agile. Before 2011, Ericsson would build its systems on a five-year cycle, with a unit housing several thousand employees. When the system was finally built, it would be shipped to the telecoms and there would be an extended period of adjustment as the system was adapted to fit their needs. Now with Agile management, Ericsson has over 100 small teams working with its customers' needs in three-week cycles. The result is faster development that is more relevant to the specific needs of the customers. The client gets value sooner. Ericsson has less work in progress. And Ericsson is deploying one to two years earlier than it otherwise would, so that its revenue comes in one to two years earlier.

The second example is **Spotify** a rapidly growing, 8-year old music streaming company with more than 2,500 staff and more than 100 million active users globally. In 2015, a small team in Spotify had an idea to solve a long-standing problem: how could users find the music they would really love in a library of millions of songs? What if, they asked, they could completely remove the friction for you as a user by using an algorithm to match your tastes with the several billion playlists created by other users and deliver a fresh playlist to you weekly? The team didn't need a whole lot of ROI analyses or go up a steep hierarchical chain to get management approval to change the firm's strategic plan. In an Agile setting, it was quick and easy for the team to carry out a series of tests. When the innovation, now known as Discover Weekly, was deployed just a few months later, it was a wild success—becoming not just a new feature but a global brand, resulting in an influx of millions of new users. The Discover Weekly team is just one of more than 100 small teams at Spotify, which has deployed Agile approaches to all work since its inception in 2008.

Barclays is a 326-year-old transatlantic bank with around 130,000 employees. In 2015, Barclays announced that embracing Agile was a key strategic initiative and encouraged hundreds of teams to become champions of an Agile transformation. There are now more than 800 teams that are part of an organization-wide Agile transformation that is aimed at enabling Barclays to deliver instant, frictionless, intimate value at scale.

Microsoft is a 41-year organization, parts of which are implementing Agile and Lean. Earlier in the Drucker Forum, Gary Hamel mentioned the complaints of Microsoft's own employees that emerged in 2007 when Windows Vista was offered to the public. In 2007, Microsoft was releasing Windows in three-year cycles with little possibility of feedback from users. Today, the situation is very different. Since 2014, Microsoft Windows10 has gone through a remarkable transformation. It is now getting feedback from an active user group of more than 7 million users and is issuing updates weekly, a game-changing acceleration. Quite apart from customers: when staff see their ideas implemented within days instead of years, it has a huge benefit for staff morale. Other parts of Microsoft such as the Developer Division and Skype are also implementing Agile.[32]

Now, we find the machine paradigm shifting in the face of the organizational challenges brought by the "digital revolution" that is transforming industries, economies, and societies. This is expressed in four current trends:

- *Quickly evolving environment.* All stakeholders' demand patterns are evolving rapidly: customers, partners, and regulators have pressing needs; investors are demanding growth, which results in acquisitions and restructuring; and competitors and collaborators demand action to accommodate fast-changing priorities.
- *Constant introduction of disruptive technology.* Established businesses and industries are being commoditized or replaced through digitization, bioscience advancements, the innovative use of new models, and automation. Examples include developments such as machine learning, the Internet of Things, and robotics.
- *Accelerating digitization and democratization of information.* The increased volume, transparency, and distribution of information require organizations to rapidly engage in multidirectional communication and complex collaboration with customers, partners, and colleagues.
- *The new war for talent.* As creative knowledge- and learning-based tasks become more important, organizations need a distinctive value proposition to acquire—and retain—the best talent, which is often more diverse. These "learning workers" often have more diverse origins, thoughts, composition, and experience and may have different desires (for example, millennials).

When machine organizations have tried to engage with the new environment, it has not worked out well for many. A very small number of companies have thrived over time; fewer than 10 percent of the non-financial S&P 500 companies in 1983 remained in the S&P 500 in 2013. From what we have observed, machine organizations also experience constant internal churn. According to our research with 1,900 executives, they are adapting their strategy (and their organizational structure) with greater frequency than in the past. Eighty-two percent of them went through a redesign in the last three years. However, most of these redesign efforts fail and only 23 percent were implemented successfully.[33]

In the following text you may find several general recommendations:

Most organizations implementing Agile are still preoccupied with upgrading existing products and services through cost reductions, time savings or quality enhancements for existing customers. What they — and the wider management community — need to realize is that the main financial benefits from Agile management will flow from the next frontier: generating innovations that create entirely new markets by turning non-customers into customers.

To use a metaphor, operational Agility succeeds in delivering a steady flow of additional value for customers, akin to filling a series of small cups with water. By contrast, Strategic Agility is akin to filling a whole bucket. The shift from cups to buckets is a difference in the scale of the financial impact.

Make no mistake: operational Agility is still a good thing. In fact, it's increasingly necessary for a firm to survive. And it's also the foundation for Strategic Agility. But it is not enough. In a marketplace where competitors are often quick to match improvements to existing products and services and where power in the marketplace has decisively shifted to customers, it can be difficult for firms to monetize those improvements. Amid intense competition, customers with choices and access to reliable information are frequently able to demand that quality improvements be forthcoming at no cost, or even lower cost. In addition, firms need to master Strategic Agility.

At Spotify, for instance, Discover Weekly was intended to solve a known problem with an existing product: the difficulty that existing users were having in locating music that would truly love, in Spotify's vast library of millions of songs. Users were spending most of their time searching for songs, rather than actually listening to music that they loved. Discover Weekly not only solved that problem for existing users, by matching users' tastes with billions of existing playlists and presenting a fresh personalized playlist to each user each week. The innovation was so wildly successful that it brought in tens of millions of new users and became in effect brand in itself, in some countries perhaps even better known than "Spotify" itself.

Spotify's approach to innovation is mainly based on the lean-startup principle that views the biggest risk in innovation to be building the wrong thing. In essence, you start by imagining what you have in mind. Then you check whether any customer would want it. Then you build a prototype. Then you go on tweaking it, adding features that may help monetize the feature. While this approach can work well in terms of improving existing products for existing users, it has several limitations in terms of systematically generating market-creating innovations.

First, in an ongoing organization as opposed to a startup, Agile teams are mainly focused on making things better for existing users. If the improvement creates new markets of users and non-users, that is a happy accident, rather than the main goal. To get more consistent success in generating market-creating innovations, an explicit focus on attracting non-users is needed.

Second, market-creating innovations sometimes involve eliminating features, not adding or improving them. Paradoxically, less may be more. Thus, a firm may generate market-creating innovation by eliminating elements that it or other firms are marketing as high-value for customers. The resulting simplification can sometimes perform the dual function of lowering costs and drawing in vast numbers of new users. A classic case is Southwest Airlines which based its business on eliminating the very features which the rest of the airline industry trumpet: meals, lounges and seating choices. Yet the decision to eliminate seemingly popular features is not one that is easily taken at the level of the Agile team. Agile teams are generally focused on adding new features requested by existing customers. Teams are unlikely to propose or carry out experiments to eliminate key services that would bring in new customers, since it is usually assumed that features being used by existing customers must be valuable to them. Moreover, existing features typically have their own constituencies within the organization: a team that has created a feature often becomes a lobby for retaining and improving it. Unless there is an explicit decision at a higher level to pursue the elimination of features with the goal of attracting new non-customers, it is unlikely to happen. Thus, traditional airlines had difficulty emulating Southwest's low-cost model with its spinoff Ted, in part because of internal lobbies to keep running the airline the way it has always been run.

Third, market-creating innovations can lead to self-cannibalization of the firm's existing products and so generate a reluctance to interfere with a current revenue stream. Thus, it wasn't an easy decision within Apple to include a music-playing capability in the iPhone, because it cannibalized the market for the iPod. Initially, even Steve Jobs himself is said to have opposed it. It was only the realization that if Apple didn't disrupt itself, some other competitor would do so that led to the eventual decision to include music playing in the iPhone. Thus, eventually a decision was made to sacrifice the revenue stream from the iPod in favor of the larger potential gains from the iPhone. Such a decision is never easy and typically it has to be taken at the highest levels of the organization.

Fourth, work on improving existing features can be suitable for low-investment market-creation, as at Uber and Airbnb. But it's rarely a solution for innovation that requires substantial technical innovation or financial investment. When the firm is imbued with lean-startup thinking, the firm often ends up pursuing a series of "small bets", to the neglect of "big bets."

Fifth, if corporate incentives flow to people who can "move the needle" by showing immediate results from improving an existing product for existing customers, then any slow-moving "big bets" under consideration will tend to morph into "small bets" that generate quick wins. The pressure to "get results now" will make it harder to attract top talent to work on expensive slow-gestating investments that could have huge gains if they were to be pursued. And those who are working on developing something completely new may become discouraged as they will have no immediate results to show for their efforts.

To overcome these pressures, top management must delineate the importance of winning "big bets," even if their gestation is slow, and create specific incentives to accomplish them.

Finally, lean-startup thinking is not well-suited to deal with decisions on market-creating innovations involving large investments in a new product, when no one knows in advance whether the idea will work or not. Often, it isn't possible initially to put a prototype in front of potential users and see whether they will use it and be thrilled by it. In most cases, there will be no "hard data" on which to base a decision.

In the absence of an explicit playbook to foster market-creating innovation, decisions on such large investments will tend to be based on corporate politics: the loudest voice having the most hierarchical clout will end up making the call. In the absence of hard numbers, proceeding with the investment will often be perceived as presenting too great a risk and the investment will be abandoned. If a decision is finally made to go ahead with investing in a capital-intensive innovation after a bruising battle at the top, it can be hard for the organization to change course even if actual data starts to show that the firm is on the wrong track. In such situations, the firm may continue to invest in a losing proposition, until it turns into a disaster that is too obvious to ignore.

Yet it doesn't have to be this way if there is a playbook for generating market-creating innovations. There are well-established principles that can lead to sustained success with market-creating innovations. They involve understanding the art and science of Strategic Agility.[34]

Agility needs two things. One is a dynamic capability, the ability to move fast—speed, nimbleness, responsiveness. And agility requires stability, a stable foundation—a platform, if you will—of things that don't change. It's this stable backbone that becomes a springboard for the company, an anchor point that doesn't change while a whole bunch of other things are changing constantly.

In really small start-ups, stability is typically embodied in the founder, and you have a few people around a founder. The start-up out of someone's garage can be just fast and agile without a lot of stability. But as soon as you get any sense of size or scale, you cannot be agile without some sense of stability.

In today's environment—with enormous changes coming from both inside and outside of the organization—that's what we think the aspiration should be. That's what I call agility: when you thrive on change and get stronger and it becomes a source of real competitive advantage.

Agility has always been important for companies. Take the high-tech sector, where I've done most of my work. In that sector, you're often only as good as your last product. That means you have to be agile. Now, having said that, you could think, "I'm not in the high-tech sector, so that's less relevant for me." But with today's levels of uncertainty, ambiguity, volatility in the markets, and globalization, this is starting to be true for any company. It's critical to be agile and quickly respond to change and actually benefit from change. And if you think that you're still in a corner where this doesn't hold true, wait for the disruption to come. Tomorrow it will be relevant for you.

But for big, successful companies—now or in the past—it's very difficult to get agile. Those companies have a legacy. They have grown, and most of them have been successful by actually using what we call a managerial hierarchy—a classical way of managing from the top down, with jobs, with boxes and lines and structures and process descriptions, running and controlling the company from the top. And now, when they try and put some experiments in place to be more agile, to give more space to people, to allow them to be more flexible, what happens? Well, when you are a leader and for 20 years you have been in a managerial hierarchy, what do you do when you really get fearful and uncertain? You go back to what's worked in the past. You exert control, add things, add rules, add processes, add structure.

What you should do is actually a real act of leadership: you have to take things away. You have to reduce the structure, the processes. But that's really difficult. It's much easier and more comfortable to add things because that gives you a, maybe false, sense of control.

If you just move fast and you go away from stability—losing any sense of centralization or quality control or risk management or the ability to capture economics of scale—what you find are these $10 billion or $20 billion companies that are trying to act like a start-up. And it doesn't work. They get into all kinds of problems. They don't take advantage of their scale. They take unnecessary risks. Way too many decisions are decentralized. People are reinventing the wheel. Now, it could work if you've got 20 people in a garage, but, without that stability, it will not work on a global scale.

On the other hand, you have people who swing the pendulum the other way and they become very slow, very rigid, very bureaucratic. And they quickly get stuck because they can't move fast enough to keep up with changes in their external environment.

The critical thing is to have an organization and, importantly, leaders who can think about that backbone of the organization—the few critical things that won't change, at least not very much, not very quickly—that the company can use as stable foundation and springboard. A hardware and operating system, if you will.

So, a few principles for how to be agile. The first is, set the company up in a way that acknowledges both stability and dynamic capability, including some things that we may not yet know that we need. And do that across three dimensions of how you set up the organization: be both stable and dynamic on structure, process, and people.

A lot of people, when they think of how they design the organization, immediately gravitate toward the management hierarchy—the lines and boxes. But that's just one small element of how you set up the organization. Structure also includes governance and how you set up which committees can approve things and make which decisions and which authorities get delegated and what is contained in a role and what people get to decide. This is all part of the structure.

Processes are extremely important, which is: How does it work? What are the activities that, when you string them together in a particular way, add value? And what are the decisions that are made along that chain of activities? Who makes them? How do they get measured? This is one of the most important things.

When we develop metrics for an organization and set targets and objectives, we find that most organizations—if they think they do it well—the way they do it is they cascade it down the management hierarchy. That's OK, but if that's all you do, you will reinforce whatever silos you've set up in the structure. The structural silos will get worse because at lower levels everybody's working on different objectives.

A better way to do it, or at least a way to complement that approach, is to make sure you've identified key metrics in a process and to make sure all the different functions or business units or geographies that are touching that decision or activity share the same metrics and targets. That helps immensely with collaboration.

It's a simple thing to say; it's not an easy thing to do. Most systems aren't set up to do it. But if you can identify the key value-adding activities and decisions—end-to-end, all the way to the customer—line up decision processes separate from the management hierarchy, make sure those are measured in the right way and that whoever is participating in those activities and decisions share in the objectives and metrics, the problem of silos, which most companies struggle with, gets a lot easier.

And the last principle is around people. You have to think about what's stable and what's dynamic when it comes to people. Now, one of the things that can be very dynamic with people is reallocating resources—using flexible labor or temporary labor. There are lots of things you can do that are very fast. But there are a few things that are often very stable in how you set up your people.

One of them is culture. Culture takes a long time to change; it takes a long time to build up a healthy culture. And it requires a lot of thought. So an organization's culture and some of the key competencies and capabilities that are sources of distinctiveness and competitive advantage are things that typically don't change quickly. And when you see companies that are very agile, they typically have something very special about the people and the culture that they've built.

A question on the mind of many is what they can do to become more agile. There are three domains in the operating model that we have found are very important for that: process, structure, and governance.

Governance, for us, is about decision making. We need speed in decision making, but why do we need stability? Well, we need stability to make good decisions but also to get fast decision making. What has to be stable, for instance, is that you have empowered the people lower down in your organization with a clear mandate that they can take the decisions that they should be taking close to the customer. That has to be clear and it has to be a stable element of your operating model.

Now, let's have a look at structure. What we see agile companies do is they don't change at all very much the main way they structure their company. Agile companies tend to keep the primary and secondary axis of their organization structure pretty constant so that people have a clear home—it's clear to them where they belong, where they build up expertise. On top of that, they provide mechanisms for quickly assembling teams with the right talent to address the challenges and opportunities that are coming up.

They've found a way to very quickly reallocate their people while keeping the structure—the main structure—quite constant. So, again, it's this combination of speed, flexibility, a dynamic model in a stable frame that actually gives you true agility.[35]

10 CORPORATION AND GENERATION Z

Conversations about what millennials want — in work and in life — are plentiful. Thankfully, there's a new and very different generation that employers should understand a bit more: Generation Z.

Born between 1996 and 2010, the oldest among this class are in the process of graduating and entering the workforce this year. Early research suggests that Gen Z is more pragmatic, more money-conscious, and more entrepreneurial than their millennial counterparts.

10.1 MAKING PRIVACY A PRIORITY

While millennials push for open workspaces, "Gen Z would rather share socks than office space," said David Stillman, co-author of Gen Z @ Work: How the Next Generation is Transforming the Workplace.

According to design company Knoll, Gen Z will enjoy order and predictability in the workplace. Since they appear to place a lot of value on boundaries and personal space, a workplace that will work best should include more options for both collaborative workspaces and private workspaces.

Gen Z also prefers "office workspace that is easy to orient within, understand, and use." Each room within an office should be defined with clear use-cases so the workforce understands that there's actually structure even in a more flexible environment. It should be very clear which rooms are for heads-down work & private phone calls versus which rooms are for group meetings, friendly conversation, or collaboration.

10.2 SUPPORTING THEIR ENTREPRENEURIAL SPIRIT

The "beer and ping-pong table" culture has become synonymous with workplace perks for the millennial generation. But Gen Z puts a higher value on job stability over physical goodies. According to Monster, the top three must-haves for first jobs among this age group are health insurance, a competitive salary, and a boss they respect. The pool tables, in-office kegs, and beanbags are "nice to have," but not "must have" bonuses.

33% of Gen Zers surveyed by Universum Global are scared they won't find a job that matches their personality, and more than 50% of those surveyed want to start their own company someday.

To better support these ambitions, workplace providers should be considering an update to their development programs as well as designated spaces to support internal start-up schools, hackathons, and entrepreneurial workshops that can help to attract this top talent within this generation.

10.3 TAKING ADVANTAGE OF THEIR DIGITAL SAVVINESS

It's clear that Gen Zers are expert multi-taskers and extremely "hooked in," having grown up with constant access to technology. This generation has already proven their ability to excel and respond to more ambiguity and uncertainty than ever before – Snapchat, Google Docs, Pokemon Go, and Ad Blocking are part of their everyday life.

Within the workplace, Gen Z will expect and often require access to multiple technology solutions and devices to get their work done. However, technology is considered as more of a tool than a full solution – they actually value face-to-face communication much more than their millennial counterparts.

10.4 DESIGNING FUTURE WORKPLACE

For employers, it's never too early to start evolving their workplace to meet the multi-generational needs of its workers. Winning the hearts and best minds of Generation Z will be both an opportunity and a challenge for millenials and baby boomers alike, but one thing is very clear – companies can't expect to win against the Amazons and Googles of the world by simply checking a list that includes a foosball table and pizza Fridays. Well-designed workplaces of the future should foster collaboration, connection, and community; they are ingrained so deeply within the body language of the organization that its Snapchat and Instagram accounts are driven more by more employee-sourced posts than product-driven ones.[36]

Gen-Z is the country's youngest age demographic, consisting of people born in 1995 or later. They're poised to become the largest age demographic, and they're beginning to enter college and the workforce. Generation Z, despite not digging having a title, is extremely diverse and independent. They've also been dubbed "millennials on steroids." That's because they have similar opinions and beliefs as millennials -- just more of them. If you're a business owner who just got the hang of reaching and retaining millennials, how can you make sure you don't waste the talent of the youngest generation? Start by implementing these eight strategies.

1. **Don't give them busy work**
   Generation Z members are willing to put in hard work; they don't mind putting in long days or working off-hours. But there's a catch: It has to be meaningful work. If you don't want to waste their time, offer flexible schedules and let them do hands-on work. And considering that 75 percent are interested in multiple roles within one place of employment, allow your Gen-Z talent to wear multiple hats.
2. **Give them freedom and competition**
   Millennials are big fans of collaboration, which explains why platforms like Slack have become so dominant. An overwhelming majority of 88 percent prefer a collaborative work environment. But that's not the case with Gen Zers. Research conducted by Gen Z Gurus David Stillman and Jonah, his 17-year-old son, shows that Gen Z is more independent than previous generations. Jonah explains that the generation's biggest difference is its self-sufficient and competitive approach, which

will throw off workplaces that have recently accommodated millennials' preferred collaborative style. One big point of contention? Open offices, which millennials love and Gen Zers loathe. The Stillmans found that 35 percent of Generation Z "would rather share socks than an office space." In other words, provide private offices and offer more autonomy. Additionally, you may want to encourage healthy competition by using gamification, rewarding your best performers, setting stretch goals, giving honest performance feedback and finding opportunities for play.

3. **Be a mentor**
   Even though members of Generation Z enjoy their independence, they don't have the know-it-all attitude millennials have occasionally been accused of. That means if you offer them opportunities to grow, they'll leap at them. The opportunity to learn from experienced people they respect is one of the most important qualities Gen Z looks for in the type of work they engage in.
4. **Make jobs less gig-, more career-focused**
   Between the rise of the gig economy and the fact that employees are only averaging three years per job, some make the assumption that careers aren't important for Gen Zers. That actually couldn't be further from the truth. Instead of focusing on short-term stints, transform roles into opportunities that could be considered careers. The best way to achieve that is to offer ongoing training and advancement opportunities. For this to be effective, use a blend of live and virtual programs. This is because a majority of Gen Zers prefer in-person communications with managers. At the same time, Gen Zers are true digital natives, spending an average of 3.5 hours daily on their smartphones.
5. **Provide new opportunities to lead**
   Unlike traditionalists, this generation isn't motivated by titles or climbing the corporate ladder. That doesn't mean they'll reject leadership -- they would just rather have a stake in a company's growth or success, regardless of what that looks like. One way to achieve this is by allowing your Gen-Z employees to have complete ownership of a project they can implement from start to finish. Give them clear expectations and guidelines from the get-go, and watch them take initiative.
6. **Create a culture of entrepreneurship**
   Gen Zers have an entrepreneurial spirit -- 76 percent consider themselves highly entrepreneurial, with almost half being interested in starting their own company. You encourage them to stick around by creating a culture of entrepreneurship. If you've already established a company that empowers and encourages freedom and ownership among employees, as we discussed, that means your team should also be set up to share and reward great ideas, ask for feedback and allow employees to fail (with support). You could also allow employees to work on personal projects. Google, Apple, Facebook, and LinkedIn have all implemented some form of this. The result for Google was Gmail and AdSense. This not only allows your Gen-Z talent to follow their passions, but it could also boost your company's bottom line.

7. **Give them frequent, speedy feedback**
   Forget the annual or even quarterly performance reviews. Gen Zers demand frequent performance conversations with their business leaders. They've grown up with constant and frequent communication, thanks to texts, emails and social media notifications. A Future Workplace report found that Gen Z now gets performance reviews daily (19 percent), weekly (24 percent) or regularly (23 percent) rather than annually (3 percent). This conditioning is good for you both -- it allows you to motivate or correct employee behavior, create a long-term plan to keep your best employees and prevent frustration with open communication.
8. **Be socially responsible**
   Like their older brothers and sisters, this generation wants to make a difference. It also prefers to work for employers who are socially responsible. What's more, 77 percent of Gen Zs are extremely or very interested in volunteering to gain work experience.

This is a win-win for business owners. Instead of waiting until college to recruit this generation's members, you can get them involved by interning with your socially responsible company. They have a chance to make a positive impact, while you get to scout the most motivated and talented individuals before anyone else. Even if there aren't interning opportunities for high school students at your company, have your current Gen Zers give back to the community.

This could be having them start, manage or run a social responsibility program for your company. Generation Z is on the verge of making a splash as big as the millennials', but you have to make sure you don't squander your opportunity to make the most of their talent. By understanding what motivates Gen Zers and taking their perspective into account, you can make a case for the most talented to join your team.[37]

From the above text, it is obvious that Generation Z, which will affect the structure and composition of the human resources in the foreseeable future, is quite different from the generations before them. It is clear that this generation is less willing to accept meaningless rules and they want to be recognized as participative and active partners in the corporate processes.

Generation Z is a brand new "type" of workforce which needs to be managed carefully. The first adopters should come from the HR selection and hiring specialists. I am sure they have already identified special new norms which are common for Generation Z. These young men and women make a difference in the way how they understand and fulfill their job duties. Members of Generation Z are very often interested in suspending work for a while to travel the world, offer their skills and experiences to several industries or totally change their job preferences. They can run projects for nine months and then become volunteers in projects supporting poor countries. They can invent a brand-new application for automation and simultaneously do crowdfunding projects.

Compared to all the previous generations, they see a permanent job as a disadvantage because they are motivated to explore their own mental resources and they are afraid of routine jobs and duties. Members of Generation Z are more innovative, more agile and more willing to explore new possibilities.

Corporations must adopt their own culture, internal organizational setup and management styles to the new Generation Z. Ideally, both parties will benefit from the unique combination of tradition and stability on one hand and agility and new ideas on the other hand. The use and exploitation of the Generation Z's intellectual resources is a challenge for next decades. Over time, the unorthodox and modern approaches in combination with the widely used information technology will change corporations. Generation Z is connected among themselves and to corporation by dozens of bonds. They will probably be the first generation of workforce to erase the difference between work and private life. Their brains, their ability to easily adapt to IT and communication tools plus the number of very modern cloud solutions will make the world of corporation business faster, more transparent and better controlled.

Previous generations strictly distinguish between their work duties and their personal duties. The last twenty years have been accompanied by the famous "work-life balance". As soon as Generation Z grows up to the managerial level, this slogan might become redundant.

Generation Z employees will be more productive, more efficient and more willing to change jobs just for fun. Maybe the idea of shared jobs will be reincarnated, maybe the home-office concept of work will become the new norm or maybe communication and coordination skills will be more valuable than professional experiences and fact-based knowledge.

Futurologists expect a wide use of robotics and artificial intelligence for manufacturing and production processes. I personally predict just a change in the perception of what the essence of work is. Work is one way of securing physical, biological and intellectual needs and self-esteem. Work has always been perceived as a tradeoff between the individual, who invests their intellectual capital into some form of organization, and the organization rewarding them with the adequate amount of money which was a result of careful negotiations.

The new concept of work based on Generation Z might characterize work as a service and not as a tradeoff. Men and women of Generation Z are more willing to contribute to team work, share principal ideas and promote the interests of community before the interests of an individual. All of this will bring a true revolution or maybe an evolution only in the world of corporations.

11 CORPORATION FOR 21ST CENTURY

For nearly all of its life, the modern corporation has made money by making things. It has done so by amassing fixed assets, organizing large workforces, and managing hierarchically. The 21st century corporation will do little of that. It will make money by producing knowledge created by talented people working with partners all over the globe. So fundamental will the changes be that the corporation as we know it will likely exist only on the margins of the economy.

Nothing less than the fundamental nature of economic value is undergoing change. Some 200 years ago, Thomas Jefferson captured the special quality of information as an economic good: "He who receives an idea from me, receives instruction himself without lessening mine; as he who lights his taper at mine, receives light without darkening me." And the more candles lit, the brighter the light. Jefferson, of course, didn't know about network effects--but he was prescient nonetheless.

Business magazines frequently issue examines the nature and role of the corporation in an idea-driven economy. It begins with the premise that the Internet doesn't change just some things. It changes everything--the rules, the players, the organizations, the public policy. Only the corporate goal remains the same: profits.

Capital is already flowing to pioneering knowledge-based companies. Microsoft, with just 31,000 employees, has a market capitalization of $600 billion. McDonald's with 10 times as many people working for it, has one-tenth the market cap. The venture capital industry itself is booming, placing bets on new Internet business models that may or may not turn out to be wildly successful and profitable. At this early point in the evolution of the New Economy, no one really knows what will work. Last year U.S. companies alone received $50 billion in venture capital, 25 times as much as in 1990.

There are new working principles for the 21st Century Corporation. Here are the key ones:

1. **Everything gets cheaper forever:**
   According to John Chambers, CEO of Cisco Systems. The Net destroys corporate pricing power. It allows customers, suppliers, and partners to compare prices from 100 or 1000 sources, not just two or three, and erases market inefficiencies. It rapidly commoditizes all that is new, reducing prices fast. It quickly bids down prices toward marginal cost. And it makes it easier to copy and distribute digitized media, from music to books, video to data.

2. **Cutting costs is the answer:**
   In an economic universe of downward pressures on margins, one path to profitability will be to reduce expenses. Globalization and the Internet will pare costs on an unimaginable scale for corporations that learn how to manage them effectively, by eliminating intermediaries. Odds are, the surprising gains in productivity in the past three years are just the beginning of an era of high efficiency.

3. **Innovation builds profits:**
   There is one way for corporations to circumvent principle No. 1 and raise prices. In an information economy, companies can gain an edge through new ideas and products that increase in value as more people use them. There's no limit to how many people can use idea-based assets, such as the Palm Pilot or America Online's instant-messaging system. Information-based products can reward early leaders with temporary monopolies and winner-take-all profits. But the emphasis is on "temporary." Knowledge-based products and networks can quickly disappear in a burst of Schumpeterian creative destruction. So corporations must innovate rapidly and continuously.

4. **Deflation is the enemy-not inflation:**
   Washington policymakers face a new economic world of rising productivity, falling prices, and high-tech business cycles. While a New Economy paradigm motivates Federal Reserve Chairman Alan Greenspan, most Fed members and economists remain only tentative converts. In the future, maintaining demand in the face of a high-tech slowdown will be one of the key economic issues confronting policymakers. They aren't intellectually prepared to deal with the downside of the New Economy.

5. **Human capital is the only asset:**
   Globalization and the Net will allow corporations to seek out the best educated and trained around the world. In the 21st century, corporations know that creativity is the sole source of growth and wealth. The value of education rises exponentially in an economy based on ideas and analytic thinking. Despite all the lip service to education, politicians and governments do not yet comprehend the need for massive changes in schools.

The upheaval wrought by the New Economy is dramatically altering the power and status of corporations around the world. U.S.-based companies have clearly dominated the digital age, thanks to America's early adoption of the personal computer. The Internet and other new technologies flowed from the PC, and most Americans access the Net through their office or home computers. But the stationary PC is giving way to hand-held information appliances, and the mobile Net is clearly the wave of the future. Today, Europeans and Japanese are getting the latest and greatest wireless cell phones first. Europe has a single wireless standard, the GSM, while the U.S. continues to fumble around with three. Europeans are quickly replacing their desktop telephones completely with cells. Meanwhile, Japanese kids are now plugged directly into the Net, on all the time, without having to dial up. And which companies are in the forefront of the wireless revolution? Japan's DoCoMo, Finland's Nokia, Korea's Samsung, and dozens of other companies ready with consumer products based on the mobile Net. The competitive playing field for corporations in the decades ahead will see a ferocity unknown to CEOs today.

We are just in the beginning of the beginning. The 21st century is going to be hard on corporations, governments, and all the rest of us. But the changes the century will bring will be nothing short of astonishing.[38]

Anyone who lived in the time of legends such as Henry Ford, Alexander Graham Bell, Thomas Edison and Albert Einstein could be forgiven for thinking everything that can be invented already has been invented. Of course, if we'd stopped there, we wouldn't have the computer or the internet. The past century of our history stands as a testament to human ingenuity and our persistence to make things better. While innovation still is possible, much has changed. Ford's invention no doubt was heralded as something just short of a miracle. Today's feature-laden minivans, hybrids and electric cars mean any new entrant in the vehicle market will also need to enable flight if it's to be seen as anything other than an also-ran. Competition is fierce and becoming even more so in the current climate.

This trend has forced entrepreneurs and business owners to evolve their views on innovation. Innovation in the 21st century demands we retrain ourselves to find pockets of spaces within industries where we can create a more fulfilling experience for customers. Here are a few proven ways to leverage that inspiration to sustain or build companies.

6. **Ease the burden of responsibilities.**
   Many people work more than one job to satisfy all their financial responsibilities. This makes it difficult to juggle work and family duties.

   Even so, this shift has created a business opportunity: the errand-services industry. These businesses exist to make people's lives easier. Services range from the exceptional to the mundane -- from dog-walking and grocery-getting to doing laundry, caring for elderly family members or performing concierge services.

   All one needs to make a start in this industry is a willingness to do whatever his or her clients ask. It shouldn't come as a surprise to learn how many people are willing to pay someone else if it means reducing their non-work responsibilities. After all, skipping hours on the job typically will be more costly for them.

7. **Facilitate business operations.**
   In the words of Cova CEO Gary Cohen: "In the course of running a business, you will find that there are functions and responsibilities that you need to carry out to ensure the smooth and optimal running of your business. These services are usually such that even though they may not be increasing revenue, not handling them will certainly prove costlier for you."

   Third-party companies take care of many of these functions. Software-as-a-service (Saas) companies such as Dropbox help people save vital business documents in the cloud. Many small businesses, in particular, rely on payroll and accounting software such as QuickBooks or payment-integration systems such as PayPal and Square.

8. **Upgrade a product or service.**
   In the Babylonian era, toothbrushes -- or more aptly, chew sticks -- were made by fraying the end of a twig. In 1498, the first true toothbrush was made by rooting Siberian pig-hair bristles into a handle (typically made of cattle bone). The efficiency of modern electric toothbrushes would put all their predecessors to shame.

   What's the lesson? Upgrading a product or service has been a viable strategy for a very long time. And so long as creativity remains, this breed of innovation won't become obsolete.

   VitaCup's CEO suffered a vitamin deficiency as a child. As an entrepreneur, he discovered a way to make conventional coffee and tea healthier by infusing them with vitamins. People now can get all their necessary vitamins in America's most-consumed beverage - without sacrificing taste.

Uber is worth billions today, but it grew from an idea to improve and streamline the transportation industry. Getting everyone in on the action is the perfect way to hitch a ride.

9. **Create a meeting point.**
People's need for problems to be solved as quickly and easily as possible led to what I like to call "bridge companies." In our digital world, these businesses often emerge as online platforms. Fiverr and Freelancer are among the industry's biggest players. Both help people easily complete work-related or personal assignments.

Google Advertising spearheaded an online revolution that spurred companies such as Admitad -- which further specializes in marketing for CPA firms -- and a host of others. Each serves as a platform where advertisers can meet publishers who are willing to display their marketing materials.

In this model, entrepreneurs don't necessarily need to solve the problems themselves. Creating a convergence point adds value (and potential profit) enough.

10. **Offer an experience.**
Many times, people's complaints about a product or service have less to do with the quality of the item or assistance received than with how the solution was delivered.

Hotels, for instance, are a massive part of the hospitality industry. People lodge in hotels for a myriad of reasons. But in recent years, a curious trend has arisen: Those who embark on casual travel for vacationing or sightseeing don't like the idea of staying in hotels. They want to soak up the atmosphere, culture and language. In short, they want to feel what it's like to be part of the community -- and many of them want to bring their pets along for the adventure.

A hotel, though, is loaded with constant reminders that they are visitors. Not so with the home-hospitality experience, whose owners list their primary homes or vacation properties with third-party rental agencies. Airbnb, Acmehouse and HomeAway fulfill this need internationally and locally while offering the full range of experiences possible in each locality.[39]

EPILOGUE

This textbook was inspired by the robust changes of recent years. Having hands-on professional experience with global corporations, I noticed that some areas of their culture, operational practice and perception from the outside business world are still a bit of a mystery.

Nowadays, corporations are something very strange in the world of business. Corporations have existed for a very long time, they have enormous financial resources, influence and they are part of trillions of business interactions on a daily basis.

Corporations are powerful and provide job opportunities and security to their employees. They require loyalty and full acceptance of their symbols, values and internal set-up. Corporations are like whales swimming across the ocean surrounded by many small fishes. These organisms live in a balanced equilibrium and they are benefiting from their coexistence.

The world of business is full of millions of various organizations striving to achieve their own business objectives. Every existing business organization wants to be successful and prosperous. One of the inevitable conditions of survival of a business organization is its evolution and effective partnerships. Organizations, which don't grow or expand, may fall, be overlooked or left behind. Today's corporations have already moved past these phases and they are carefully selecting with whom they would like to cooperate or combine their resources.

During the 1920s, Ford's mass production inspired not only his competitors. Tomas Bata helped "bring the world" after offering an unprecedented rate of quality and affordable prices. The best paid and celebrated hero of the inter-war business era became an engineer who could say to himself: "I was able to make it - mass, good and cheap." And such production where an ordinary person could say: "I can afford it." During World War II, mass production was rooted as a necessity for the survival of states and people. In addition, the massive influx of women into war factories forced the mechanization of other, initially male activities associated with physical strength and health-encompassing environments. After the war, the art of mass, cheap, and reliable production was already dominated by everyone. Big differences in quality and price ratios were erased, everyone was on the market with something the mass consumer could afford. But also with something that competitors offered in comparable parameters. The smartest companies realized that the era, when the winner was only a producer of a good quality product and an affordable price, ended once everybody was able to offer the same.

It was about the right emotion, for which the masses were ready to pay and under whose influence they chose someone's goods from a wide and boring offer. An affordable quality car? No, but the feeling of "safety" under the Volvo brand. Motorbike? No, but "freedom" associated with the Harley-Davidson brand. Cigarette? No, but "American spirit" under the Marlboro brand. All this is enhanced by other mass products and advertising-TV business. This business phase ended at the turn of the millennium; specifically, with the rise of the Internet, digital technologies and social media. The New Millennium Consumer Dictation has become an experience inherent in the digital era: simplicity, speed, ease, intuitiveness, visualization, story, entertainment. All this now and here. On your mobile screen. Without queues, traveling, waiting, complicated tutorials and texts; clicks. It is obvious the 21st century business began to spin around four "E": emotions, experience, exclusivity and engagement.

In the first half of the 20th century, technological skills have won in business. Later, the reins were taken over by their counterparts - the ability to cope with consumers' psychology, to engage their emotions. In the 21st century, the success not only of companies, but also individuals and entire economies, is born where the two worlds are able to connect: technological innovation of the digital age and the 4E mood of the new millennium.

The open question is if corporations will be able to cope with the great challenges which are in conflict with their own industrial tradition.

My aim was to take off the cloak of mystery from the way how corporations think, manipulate and cooperate with the world. I hope the disclosure which is presented in the text was not too devastating and makes the world of corporations attractive for the new generation of their future employees.

It doesn't matter how old, big or successful a corporation is. The world of business is tough and nothing is more important than the last quarter report. The history doesn't interest investors or employees as much.

This is the reason why even the biggest corporations want to attract skilled workforce such as project managers, finance specialists, process experts, fans of digital economy or hundreds of other professions. To help the corporation grow and feel like they are able to recognize the individual contribution is a great feeling. Corporations are a good place because they care about their staff. We all know how Google or Microsoft treat their staff. They are doing it not because they like to do it but because they know it pays off. Corporations know very well how to motivate people and make them connected with the corporate values and feeling of exception.

Large corporations are similar to the ancient dinosaurs that lived on Earth. They were great, powerful and dangerous but we all know that dinosaurs became extinct thousands of years ago when their living conditions changed.

Maybe one day, the existing corporations will transform themselves into some other so far unknown form or they will be replaced by modern, intelligent and effective forms of business. This change may take some time and until this happens it is important to understand today's corporations.

That was the essential purpose of this book.

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