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PRACTICAL APPROACH TOWARDS INTERNATIONAL BUSINESS

A Final Thesis Presented to
The Academic Department
Of the School of Business and Economics
In Partial Fulfilment of the Requirements
For the Bachelor Degree in Business Administration

ATLANTIC INTERNATIONAL UNIVERSITY
HAWAII, USA

AUGUST 2007

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International business is a term used to collectively describe topics relating to the operations of firms with interests in several countries. Such firms are sometimes called Multinational corporations. Points of discussion with this topic may include cultural considerations, which itself may include differences in law and legal systems, language barriers, living standards, climate and more. These have to be overcome for a MNC to be successful in an overseas venture. A form of company in international business is an IBC. An IBC (international business corporation) is a form of offshore company. IBCs include banks, insurance companies, and trading firms.

In economics, a business is a legally-recognized organizational entity existing within an economically free country designed to sell goods and/or services to consumers, usually in an effort to generate profit. In predominantly capitalist economies, where most businesses are privately owned, businesses are typically formed to earn profit and grow the personal wealth of their owners. The owners and operators of a business have as one of their main objectives the receipt or generation of a financial return in exchange for their work that is, the expense of time and energy and for their acceptance of risk investing work and money without certainty of success.

Notable exceptions to this rule include cooperative businesses and government institutions. This model of business functioning is opposed by socialists, who advocate either government, public, or worker ownership of most sizable businesses; and to a lesser extent by individuals advocating for a mixed economy of private and state-owned enterprises.

The etymology of "business" refers to the state of being busy in the context of the individual as well as the community or society. In other words, to be busy is to be doing commercially viable and profitable work. The term "business" has at least three usages, depending on the scope the general usage of the singular usage to refer to a particular company or corporation, and the generalized usage to refer to a particular market sector, such as "the record business, the computer business or the business community the community of suppliers of goods and services.

However, the exact definition of business, like much else in the philosophy of business, is disputable; for example, some Marxists use "means of production" as a rough synonym for "business". However, a more accurate definition of "means of production" would be the resources and apparatus by which products and services are created. Control of these resources and apparatus results in control of business activity, and so, while they are very closely related, they are not the same thing.

Some would argue that the main purpose of a business is to maximize profits for its owners, or in the case of a publicly-traded company, its stockholders. The late economist Milton Friedman was a proponent of this view and many bottom-line fundamentalists used his 1970 historic statement to this effect to justify a Darwinomics" approach to doing business. Others would say that its principal purpose is to serve the interests of a larger group of stakeholders, including employees, customers, and even society as a whole.

Most philosophers would agree, however, that business activities ought to comport with legal and moral strictures. One proponent of this philosophy has been U.S. businessman-turned-futurist John Renesch who writes, "Corporations are human-made organisms, associations of human beings. To see this association as having one solitary purpose and responsibility, to grow only in economic terms, is such an extreme view that implosions like what happened to Enron, WorldCom and other corporate collapses will become more and more commonplace.

Anu Agha, ex-chairperson of Thermax Limited, once said, "We survive by breathing but we can't say we live to breathe. Likewise, making money is very important for a business to survive, but money alone cannot be the reason for business to exist". Profit maximization is extremely relevant when top management is mandated with the job of selecting the right strategy for the business. According to Michael Porter, the primary goal for any business strategy exercise must be that of maximizing profitability.

Peter Drucker defined the very purpose of business as creating a satisfied customer. This definition is also useful in evaluating to what extent a business is succeeding in fulfilling its stated purpose.
Many observers would hold that concepts such as economic value added (EVA) are useful in balancing profit-making objectives with other ends. They argue that sustainable financial returns are not possible without taking into account the aspirations and interests of other stakeholders (customers, employees, society, environment). This conception suggests that a principal challenge for a business is to balance the interests of parties affected by the business, interests that are sometimes in conflict with one another.

Although forms of business ownership vary by country and local government, there are several generic forms of business ownership.

A sole proprietorship is a business owned by one person the owner may operate on their own or may employ others. The owner of the business has total and unlimited personal liability of the debts incurred by the business.

A partnership is a form of business in which two or more people operate for the common goal of making profit. Each partner has total and unlimited personal liability of the debts incurred by the partnership. There are three types of partnerships general partnerships, limited partnerships, and limited liability partnerships.

A business corporation is a for-profit, limited liability entity that has a separate legal personality from its members. A corporation is owned by multiple shareholders and is overseen by a board of directors, which hires the business's managerial staff.

Often referred to as a Co-Op business or Co-Op, a cooperative is a for-profit, limited liability entity that differs from corporations in that it has members, as opposed to shareholders, who share decision-making authority. Cooperatives typically fall into three types: consumer cooperatives, producer cooperatives and worker cooperatives. Cooperatives are fundamental to the ideology of economic democracy.

Business is the social science of managing people to organize and maintain collective productivity toward accomplishing particular creative and productive goals, usually to generate revenue. The **social** sciences are a group of academic disciplines that study human aspects of the world. They diverge from the arts and humanities in that the social sciences tend to emphasize the use of the scientific method in the study of humanity, including quantitative and qualitative methods.

The social sciences in studying subjective, inter-subjective and objective or structural aspects of society were traditionally referred to as soft sciences. This is in contrast to hard sciences, such as the natural science, which may focus exclusively on objective aspects of nature. Nowadays, however, the distinction between the so-called soft and hard sciences is blurred. Some social science subfields have become very quantitative in methodology or behavioral in approach.

Conversely, the interdisciplinary and cross-disciplinary nature of scientific inquiry into human behavior and social and environmental factors affecting it have made many of the so-called hard sciences dependent on social science methodology. Examples of boundary blurring include emerging disciplines like social studies of medicine, neuropsychology, and bioeconomics and the history and sociology of science. Increasingly, quantitative and qualitative methods are being integrated in the study of human action and its implications and consequences.

There are many types of businesses, and, as a result, businesses can be classified in many ways. One of the most common focuses on the primary profit-generating activities of a business:

a. Manufactures Business

Manufacturing from Latin *manu factura*, making by hand is the use of tools and labor to make things for use or sale. The term may refer to a vast range of human activity, from handicraft to high tech, but is most commonly applied to industrial production, in which raw materials are transformed into finished goods on a large scale.
Manufacturing takes place under all types of economic system. In a capitalist economy, manufacturing is usually directed toward the mass production of products for sale to consumers at a profit. In a collectivist economy, manufacturing is more frequently directed by a state agency to supply perceived needs. In modern economies, manufacturing occurs under some degree of government regulation.
Modern manufacturing includes all intermediate processes required for the production and integration of a product's components. Some industries, such as semiconductor and steel manufacturers use the term fabrication instead.
The manufacturing sector is closely connected with engineering and industrial design. Examples of major manufacturers in the United States include General Motors Corporation, Ford Motor Company, Chrysler, Boeing, Gates Rubber Company and Pfizer. Examples in Europe include France's Airbus and Michelin Tire. Modern proponents of Fair Trade policy and a strong manufacturing base for the U.S. economy include economists Paul Craig Roberts and Ravi Batra, and commentator Lou Dobbs.

b. Service Business

In economics and marketing, a service is the non-material equivalent of a good. Service provision has been defined as an economic activity that does not result in ownership, and this is what differentiates it from providing physical goods. It is claimed to be a process that creates benefits by facilitating a change in customers, a change in their physical possessions, or a change in their intangible assets.

By supplying some level of skill, ingenuity, and experience, providers of a service participate in an economy without the restrictions of carrying stock (inventory) or the need to concern themselves with bulky raw materials. On the other hand, their investment in expertise does require marketing and upgrading in the face of competition which has equally few physical restrictions.
Providers of services make up the Tertiary sector of industry.

c. Retailers Business

Retailing consists of the sale of goods or merchandise, from a fixed location such as a department store or kiosk, in small or individual lots for direct consumption by the purchaser. Retailing may include subordinated services, such as delivery. Purchasers may be individuals or businesses. In commerce, a retailer buys goods or products in large quantities from manufacturers or importers, either directly or through a wholesaler, and then sells smaller quantities to the end-user. Retail establishments are often called shops or stores. Retailers are at the end of the supply chain. Manufacturing marketers see the process of retailing as a necessary part of their overall distribution strategy.

Shops may be on residential streets, or in shopping streets with few or no houses, or in a shopping center or mall, but mostly found in the central business district.

Shopping streets may or may not be for pedestrians only. Sometimes a shopping street has a partial or full roof to protect customers from precipitation. Retailers often provided boardwalks in front of their stores to protect customers from the mud.

Online retailing, also known as e-commerce is the latest form of non-shop retailing shopping generally refers to the act of buying products. Sometimes this is done to obtain necessities such as food and clothing; sometimes it is done as a recreational activity. Recreational shopping often involves window shopping (just looking, not buying) and browsing and does not always result in a purchase.

d. Financial Business

Finance is a field that studies and addresses the ways in which individuals, businesses and organizations raise, allocate, and use monetary resources over time, taking into account the risks entailed in their projects. The term finance may thus incorporate any of the following:

The activity of finance is the application of a set of techniques that individuals and organizations entities use to manage their financial affairs, particularly the differences between income and expenditure and the risks of their investments. An entity whose income exceeds its expenditure can lend or invest the excess income. On the other hand, an entity whose income is less than its expenditure can raise capital by borrowing or selling equity claims, decreasing its expenses, or increasing its income.

The lender can find a borrower, a financial intermediary, such as a bank or buy notes or bonds in the bond market. The lender receives interest, the borrower pays a higher interest than the lender receives, and the financial intermediary pockets the difference. A bank aggregates the activities of many borrowers and lenders. A bank accepts deposits from lenders, on which it pays the interest. The bank then lends these deposits to borrowers. Banks allow borrowers and lenders, of different sizes, to coordinate their activity. Banks are thus compensators of money flows in space.

A specific example of corporate finance is the sale of stock by a company to institutional investors like investment banks, who in turn generally sell it to the public. The stock gives whoever owns it part ownership in that company. If you buy one share of XYZ Inc, and they have 100 shares outstanding held by investors, you are 1/100 owner of that company. Of course, in return for the stock, the company receives cash, which it uses to expand its business in a process called "equity financing". Equity financing mixed with the sale of bonds or any other debt financing is called the company's capital structure.

Finance is used by individuals’ personal finance by governments (public finance), by businesses corporate finance etc, as well as by a wide variety of organizations including schools and non-profit organizations. In general, the goals of each of the above activities are achieved through the use of appropriate financial instruments, with consideration to their institutional setting. Finance is one of the most important aspects of business management. Without proper financial planning a new enterprise is unlikely to be successful. Managing money a liquid asset is essential to ensure a secure future, both for the individual and an organization.

e. Utilities Business

A public utility usually just utility in British English is a company that maintains the infrastructure for a public service often also providing a service using that infrastructure. Public utilities often involve natural monopolies, and as a result are often government monopolies, or if privately owned, the sectors are specially regulated by a Public Utilities Commission. Public utilities can be privately owned or publicly owned. Publicly owned utilities include cooperative and municipal utilities. Municipal utilities may actually include territories outside of city limits or may not even serve the entire city. Cooperative utilities are owned by the customers they serve.

They are usually found in rural areas. Private utilities, also called investor owned utilities, are owned by investors. Unlike public companies, private utilities may be listed on the stock exchange. Private, in this context, means not owned by the public or the government. In poorer developing countries, public utilities are often limited to wealthier parts of major cities, as used to be the case in developed countries in the nineteenth century. However, in some developing countries utilities do provide services to a large share of the urban population, such as in the case of water and sanitation in Latin America.

f. Real Estate Business

Real estate or immovable property is a legal term in some jurisdictions that encompasses land along with anything permanently affixed to the land, such as buildings. Real estate immovable property is often considered synonymous with real property also sometimes called *realty*, in contrast with personal property also sometimes called chattel or personality. However, for technical purposes, some people prefer to distinguish real estate, referring to the land and fixtures themselves, from real property, referring to ownership rights over real estate.

The terms *real estate* and *real property* are used primarily in common law, while civil law jurisdictions refer instead to immovable property. In law, the word *real* means relating to a thing from Latin res/rei, thing, as distinguished from a person. Thus the law broadly distinguishes between "real" property land and anything affixed to it and "personal" property everything else, e.g., clothing, furniture, money. The conceptual difference was between immovable property, which would transfer title along with the land, and movable property, which a person would retain title to. The word is not derived from the notion of land having historically been "royal" property. The word *royal* and its Portuguese cognate *real* come from the related Latin word rex-regis, meaning king.

g. Transportation Business

Transport or transportation is the movement of people and goods from one place to another. The term is derived from the Latin trans across and portar*e* to carry. Industries which have the business of providing equipment, actual transport, transport of people or goods and services used in transport of goods or people make up a large broad and important sector of most national economies, and are collectively referred to as transport industries.

The field of transport has several aspects: loosely they can be divided into a triad of infrastructure, vehicles, and operations. Infrastructure includes the transport networks roads, railways, airways, waterways, canals, pipelines, etc. that are used, as well as the nodes or terminals such as airports, railway stations, bus stations and seaports).

The vehicles generally ride on the networks, such as automobiles, bicycles, buses, trains, and aircrafts. The operations deal with the way the vehicles are operated on the network and the procedures set for this purpose including the legal environment Laws, Codes, Regulations, etc. Policies, such as how to finance the system for example, the use of tolls or gasoline taxes may be considered part of the operations.

Broadly speaking, the design of networks are the domain of civil engineering and urban planning, the design of vehicles of mechanical engineering and specialized subfields such as nautical engineering and aerospace engineering, and the operations are usually specialized, though might appropriately belong to operations research or systems engineering.

h. Agricultural Business

Agriculture encompassing farming, grazing, and the tending of orchards, vineyards and timberland is the production of food, feed, fiber and other goods by the systematic raising of plants and animals.
Agri is from the Latin ager a field and culture from the Latin cultura cultivation in the strict sense of tillage of the soil. A literal reading of the English word yields "tillage of the soil of a field". In modern usage, the word agriculture covers all activities essential to food/feed/fiber production, including all techniques for raising and "processing" livestock. Agriculture is also short for the study of the practice of agriculture more formally known as agricultural science.
The history of agriculture is a central element of human history, as agricultural progress has been a crucial factor in worldwide socio-economic change. Wealth-building and militaristic specializations rarely seen in hunter-gatherer cultures are commonplace in agricultural and agro-industrial societies when farmers became capable of producing food beyond the needs of their own families, others in the tribe/nation/empire were freed to devote themselves to projects other than food acquisition.
An estimated 42 percent of the world's workers are employed in agriculture, making it by far the most common occupation. However, agricultural production accounts for less than five percent of the gross world product an aggregate of all gross domestic products.

A multinational corporation is a corporation or enterprise that manages production establishments or delivers services in at least two countries. Very large multinationals have budgets that exceed those of many countries. Multinational corporations can have a powerful influence in international relations and local economies. Multinational corporations play an important role in globalization; some argue that a new form of MNC is evolving in response to globalization the globally integrated enterprise.

Large multinational corporations can have a powerful influence in international relations, given their large economic influence in politicians' representative districts, as well as their extensive financial resources available for public relations and political lobbying. Multinationals have played an important role in globalization. Prospective country locations for MNC production establishments, and sometimes regions within countries, must compete with each other to have MNCs locate their facilities and subsequent tax revenue, employment, and economic activity within a region. To compete, countries and regional political districts offer incentives to MNCs such as tax breaks, pledges of governmental assistance or improved infrastructure, or lax environmental and labor standards.

This process of becoming more attractive to foreign investment can be characterized as a race to the bottom, a push towards greater freedom for corporate bodies, or both. An inaccurate claim is that out of the 100 largest economies in the world, are multinational corporations. This claim is based on a miscalculation, where two numbers describing totally different things are compared: the GDP of nations to gross sales of corporations. The problem with the comparison is that GDP takes into account only the final value, whereas gross sales don't measure how much was produced outside the company.

According to Swedish economist Johan Norberg, if we were to compare nations and corporations, we should be comparing GDP to goods only produced within the particular company gross sales do not take into account goods purchased from 3rd party vendors and resold, just as GDP does not take into account imported goods. That correction would make only 37 of 100 largest economies corporations and all of them would be in bottom box: only 5 corporations would be in top 50. Because of their size, multinationals can have a significant impact on government policy, primarily through the threat of market withdrawal. For example, in an effort to reduce health care costs, some countries have tried to force pharmaceutical companies to license their patented drugs to local competitors for a very low fee, thereby artificially lowering the price.

When faced with that threat, multinational pharmaceuticals firms have simply withdrawn from the market, which often leads to limited availability of advanced drugs. In those cases, governments have been forced to back down from their efforts. Similar corporate and government confrontations have occurred when governments tried to force companies to make their intellectual property public in an effort to gain technology for local entrepreneurs. When companies are faced with the option of losing their core competitive advantage technology and losing a national market, they may choose to withdraw from the national market. This withdrawal often causes governments to change policy. Countries that have been most successful in this type of confrontation with multinational corporations are large countries such as India and Brazil, which have viable indigenous market competitors.

Multinational corporate lobbying is directed at a range of business concerns, from tariff structures to environmental regulations. There is no unified multinational perspective on any of these issues. Companies that have invested heavily in pollution control mechanisms may lobby for very tough environmental standards in an effort to force non-compliant competitors into a weaker position.

For every tariff category that one multinational wants to have reduced, there is another multinational that wants the tariff raised.

Even within the U.S. auto industry, the fraction of a company's imported components will vary, so some firms favor tighter import restrictions, while others favor looser ones.
In addition to efforts by multinational corporations to affect governments, there are many actions taken by governments to affect corporate behavior. The threat of nationalization forcing a company to sell its local assets to the government or to other local nationals or changes in local business laws and regulations limit a multinational's power.

The mobility of capital brought by multinational corporations can create a race to the bottom. This refers to efforts by governments to change their laws and regulations to become more corporate friendly in order to attract multinational investment. As they become more responsive to the interests of multinational corporations, there is the risk that governments can become less responsive to local constituents. Examples of this are laws that bar unionization or permit lax environmental standards. Those laws are often chosen because governments also find the corporate-friendly rules comfortable. China, for example, bars unionization in most cases, but it also bars almost every other civil society organization above the very local level that is not government controlled.

An international business company or international business corporation (IBC) is an offshore company formed under the laws some jurisdictions as a tax-free company which is not permitted to engage in business within the jurisdiction it is incorporated in. Offshore Financial Centres which have allowed the formation of IBCs include Antigua, Anguilla, the British Virgin Islands, the Bahamas, Gibraltar and Nevis.

Characteristics of an IBC vary by jurisdiction, but will usually include exemption from local corporate taxation and stamp duty, provided that the company engages in no local business annual agent's fees and company registration taxes are still payable, which are normally a few hundred U.S. dollars per year preservation of confidentiality of the beneficial owner of the company wide corporate powers to engage in different businesses and activities abrogation or restriction of the requirement to demonstrate corporate benefit the ability to issue shares in either registered or bearer form an abrogation of any requirements to appoint local directors or officers provision for a local registered agent However, under pressure from the OECD and the FATF, most offshore jurisdictions have removed or are removing the "ring fencing" of IBCs from local taxation. In most of the jurisdictions, this has been accompanied by reductions of levels of corporate tax to zero to avoid damaging the offshore finance industry.

An IBC is a legal entity incorporated in a tax haven which is free from all local taxes except small fixed annual fees. Typically the IBC cannot conduct business in the country of incorporation. Dominica, Panama Corporation and Gibraltar Non-resident Company. IBCs are offshore companies that are most commonly used for offshore banking to conduct international trade, investment activities, by professionals and for asset protection. Offshore companies can be involved in buying and selling goods and services hold bank accounts and operate businesses. IBCs are also commonly used for the ownership of real property and land; for ownership of intellectual property, licensing and franchising; personal service by individuals working overseas and offshore e-business among other things.

An IBC can hold assets in a safe, secure financial center. At the same time, an IBC also allows the owner to retain 100% control of assets. An IBC's assets are extremely private. In the offshore jurisdictions, there is no ITIN required in order to open an IBC bank account. It is a crime for a banker to reveal your association with a bank account to an individual outside of the bank. IBC ownership records are not available in any public record.

There are countries with IBC laws that take privacy very seriously. The asset protection provisions in some countries are extremely strong. Many of these countries are island nations that have become financially strong by offering a safe-haven in which to store one’s money. One of the strongest IBC asset protection laws found is on the Island of Nevis. Nevis is located in the Caribbean Sea and is about a one-hour flight East of Puerto Rico.

Business International Corporation was a publishing and advisory firm dedicated to assisting American companies in operating abroad. In 1986, Business International was acquired by The Economist Group in London, and eventually merged with The Economist Intelligence Unit. Founded in 1953 by Eldridge Haynes, BI initially focused on American companies and started out with a weekly newsletter and a group of key corporate clients. BI eventually became the premier information source on global business with research, advisory functions, conferences and government roundtables in addition to its publications. It was headquartered in New York City, with major offices in Geneva, London, Vienna, Hong Kong and Tokyo, and a network of correspondents across the globe.

i. Organizing a vehicle

The major factors affecting how a business is organized are usually the size and scope of the business, and its anticipated management and ownership. A smaller business is more flexible, larger businesses or those with wider ownership or more formal structures will usually tend to be organized as partnerships or more commonly corporations. In addition a business which wishes to raise money on a stock market or to be owned by a wide range of people will often be required to adopt a specific legal form to do so.

The sector and country private profit making businesses are different from government owned bodies. In some countries, certain businesses are legally obliged to be organized certain ways.
Limited liability corporations, and limited liability partnerships, protect their owners from business failure, and are treated as separate entities, whereas an unincorporated business or person working on their own is usually not so protected. Tax advantages different structures are treated differently in tax law, and may have advantages for this reason.

Disclosure and compliance requirements different business structures may be required to make more or less information public or reported to relevant authorities and may be bound to comply with different rules and regulations. Many businesses are operated through a separate entity such as a corporation, limited partnership or limited liability company. Most legal jurisdictions allow people to organize such an entity by filing certain charter documents with the relevant Secretary of State or equivalent and complying with certain other ongoing obligations. The relationships and legal rights of shareholders, limited partners, or members, as the case may be, are governed partly by the charter documents and partly by the law of the jurisdiction where the entity is organized.

Generally speaking, shareholders in a corporation, limited partners in a limited partnership, and members in a limited liability company are shielded from personal liability for the debts and obligations of the entity, which is legally treated as a separate person. This means that unless there is misconduct, the owner's own possessions are strongly protected in law, if the business does not succeed.
Where two or more individuals own a business together but have failed to organize a more specialized form of vehicle, they will be treated as a general partnership. The terms of a partnership will be partly governed by a partnership agreement if one is created and partly by the law of the jurisdiction where the partnership is located. No paperwork or filing is necessary to create a partnership, and without an agreement, the relationships and legal rights of the partners will be entirely governed by the law of the jurisdiction where the partnership is located.

A single person who owns and runs a business is commonly known as a sole proprietor, whether he or she owns it directly or through a formally organized entity. A few relevant factors to consider in deciding how to operate a business include General partners in a partnership other than a limited liability partnership plus anyone who personally owns and operates a business without creating a separate legal entity, are personally liable for the debts and obligations of the business.
Generally, corporations are required to pay tax just like "real" people. In some tax systems, this can give rise to so-called double taxation, because first the corporation pays tax on the profit, and then when the corporation distributes its profits to its owners, individuals have to include dividends in their income when they complete their personal tax returns, at which point a second layer of income tax is imposed.
In most countries, there are laws which treat small corporations differently than large ones.

They may be exempt from certain legal filing requirements or labor laws, have simplified procedures in specialized areas, and have simplified, advantageous, or slightly different tax treatment. In order to "go public sometimes called IPO which basically means to allow a part of the business to be owned by a wider range of investors or the public in general you must organize a separate entity, which is usually required to comply with a tighter set of laws and procedures. Most public entities are corporations that have sold shares, but increasingly there are also public LLCs that sell units sometimes also called shares, and other more exotic entities as well for example, REITs in the USA, Unit Trusts in the UK. However, you cannot take a general partnership public.

ii. Commercial law

Most commercial transactions are governed by a very detailed and well-established body of rules that have evolved over a very long period of time, it being the case that governing trade and commerce was a strong driving force in the creation of law and courts in Western civilization. As for other laws that regulate or impact businesses, in many countries it is all but impossible to chronicle them all in a single reference source. There are laws governing treatment of labor and generally relations with employees, safety and protection issues OSHA or Health and Safety, anti-discrimination laws age, gender, disabilities, race, and in some jurisdictions, sexual orientation, minimum wage laws, union laws, workers compensation laws, and annual vacation or working hours time.

In some specialized businesses, there may also be licenses required, either due to special laws that govern entry into certain trades, occupations or professions, which may require special education, or by local governments who just want your money. Professions that require special licenses run the gamut from law and medicine to flying airplanes to selling liquor to radio broadcasting to selling investment securities to selling used cars to roofing. Local jurisdictions may also require special licenses and taxes just to operate a business without regard to the type of business involved. Some businesses are subject to ongoing special regulation. These industries include, for example, public utilities, investment securities, banking, insurance, broadcasting, aviation, and health care providers. Environmental regulations are also very complex and can impact many kinds of businesses in unexpected ways.

iii. Capital

When businesses need to raise money called capital, more laws come into play. A highly complex set of laws and regulations govern the offer and sale of investment securities the means of raising money in most Western countries. These regulations can require disclosure of a lot of specific financial and other information about the business and give buyers certain remedies. Because "securities" is a very broad term, most investment transactions will be potentially subject to these laws, unless a special exemption is available.

Capital may be raised through private means, by public offer IPO on a stock exchange, or in many other ways. Major stock exchanges include the New York Stock Exchange and Nasdaq USA, the London Stock Exchange UK, the Tokyo Stock Exchange Japan, and so on. Most countries with capital markets have at least one. Businesses that have gone "public" are subject to extremely detailed and complicated regulation about their internal governance such as how executive officers' compensation is determined and when and how information is disclosed to the public and their shareholders. In the United States, these regulations are primarily implemented and enforced by the United States Securities and Exchange Commission SEC.

As noted at the beginning, it is impossible to enumerate all of the types of laws and regulations that impact on business today. In fact, these laws have become so numerous and complex, that no business lawyer can learn them all, forcing increasing specialization among corporate attorneys. It is not unheard of for teams of 5 to 10 attorneys to be required to handle certain kinds of corporate transactions, due to the sprawling nature of modern regulation. Commercial law spans general corporate law, employment and labor law, healthcare law, securities law, M&A law who specialize in acquisitions, tax law, ERISA law ERISA in the United States governs employee benefit plans, food and drug regulatory law, intellectual property law specializing in copyrights, patents, trademarks and such, telecommunications law, and more.

In Thailand, for example, it is necessary to register a particular amount of capital for each employee, and pay a fee to the government for the amount of capital registered. There is no legal requirement to prove that this capital actually exists, the only requirement is to pay the fee. This is a typical example of a corrupt government using its power to create laws in order to steal money. Overall, processes like this are detrimental to the development and GDP of a country, but often exist in "feudal" developing countries.

iv. Intellectual property

Businesses often have important intellectual property that needs protection from competitors in order to stay profitable. This could require patents or copyrights or preservation of trade secrets. Most businesses have names, logos and similar branding techniques that could benefit from trade marking. Patents and copyrights in the United States are largely governed by federal law, while trade secrets and trade marking are mostly a matter of state law. Because of the nature of intellectual property, a business needs protection in every jurisdiction in which they are concerned about competitors. Many countries are signatories to international treaties concerning intellectual property.

Business ethics is a form of the art of applied ethics that examines ethical rules and principles within a commercial context, the various moral or ethical problems that can arise in a business setting and any special duties or obligations that apply to persons who are engaged in commerce. In the increasingly conscience-focused marketplaces of the 21st century, the demand for more ethical business processes and actions known as ethicis is increasing. Simultaneously, pressure is applied on industry to improve business ethics through new public initiatives and laws e.g. higher UK road tax for higher-emission vehicles.
Business ethics can be both a normative and a descriptive discipline. As a corporate practice and a career specialization, the field is primarily normative. In academia descriptive approaches are also taken. The range and quantity of business ethical issues reflects the degree to which business is perceived to be at odds with non-economic social values. Historically, interest in business ethics accelerated dramatically during the 1980s and 1990s, both within major corporations and within academia. For example, today most major corporate websites lay emphasis on commitment to promoting non-economic social values under a variety of headings e.g. ethics codes, social responsibility charters. In some cases, corporations have redefined their core values in the light of business ethical considerations e.g. BP's beyond petroleum environmental tilt.

As part of more comprehensive compliance and ethics programs, many companies have formulated internal policies pertaining to the ethical conduct of employees.

These policies can be simple exhortations in broad, highly-generalized language typically called a corporate ethics statement, or they can be more detailed policies, containing specific behavioral requirements typically called corporate ethics codes. They are generally meant to identify the company's expectations of workers and to offer guidance on handling some of the more common ethical problems that might arise in the course of doing business.

It is hoped that having such a policy will lead to greater ethical awareness, consistency in application, and the avoidance of ethical disasters. An increasing number of companies also require employees to attend seminars regarding business conduct, which often include discussion of the company's policies, specific case studies, and legal requirements. Some companies even require their employees to sign agreements stating that they will abide by the company's rules of conduct.

Many companies are assessing the environmental factors that can lead employees to engage in unethical conduct. Not everyone supports corporate policies that govern ethical conduct. Some claim that ethical problems are better dealt with by depending upon employees to use their own judgment.
Others believe that corporate ethics policies are primarily rooted in utilitarian concerns, and that they are mainly to limit the company's legal liability, or to curry public favor by giving the appearance of being a good corporate citizen. Ideally, the company will avoid a lawsuit because its employees will follow the rules. Should a lawsuit occur, the company can claim that the problem would not have arisen if the employee had only followed the code properly?

Sometimes there is disconnection between the company's code of ethics and the company's actual practices. Thus, whether or not such conduct is explicitly sanctioned by management, at worst, this makes the policy duplicitous, and, at best, it is merely a marketing tool. To be successful, most ethicists would suggest that an ethics policy should be given the unequivocal support of top management, by both word and example. Explained in writing and orally, with periodic reinforcement doable something employees can both understand and perform, monitored by top management, with routine inspections for compliance and improvement, and backed up by clearly stated consequences in the case of disobedience remain neutral and nonsexist.

Benefits

Taxation - business may be structured so that profits are realized in ways that minimize their overall tax liability.

Simplicity - except for regulated businesses, such as banks or other financial institutions, some jurisdictions make it relatively simple to set up and maintain companies.

Reporting - the level of information required by the registrar of companies varies from jurisdiction to jurisdiction.

Asset protection - it is possible to organize assets and transactions in such a way that assets are shielded from future liabilities.

Anonymity - by carrying out transactions in the name of a private company, the name of the underlying principal may be kept out of documentation having said that, current anti-money laundering regulations often require banks and other professionals to look through structures.

Thin capitalisation - offshore jurisdictions tend not to impose thin capitalisation rules on companies except for regulated entities such as banks and insurance companies, allowing them to be formed with a purely nominal equity investment.

Financial assistance - offshore companies are usually not prohibited from providing financial assistance for the acquisition of their own shares, which avoids the needs for "whitewash" procedure in certain financial transactions.

Disadvantages

Offshore companies are usually prohibited from conducting business or retaining employees in their jurisdiction of incorporation. For regulatory reasons, there are often certain restrictions on the type of business which an offshore company can engage in. For example, it is quite common for there to be general prohibitions against offshore companies engaging in banking business, insurance business or operating as a trust company.

Because of the limited amount of publicly available information in connection with offshore companies, there is usually a high level of hidden costs at the administrative level. For example, to open a bank account in the name of an offshore company, to comply with relevant anti-money laundering regulations, the bank will normally require large quantities of corporate documentation to be notarised and apostilled in the jurisdiction of incorporation, and may require opinions from local lawyers in that jurisdiction as to the capacity and power of the company to open and operate a bank account.

Certain countries have anti-tax haven legislation which makes it difficult to conduct business in those countries using an offshore company. For example, capital markets regulations in France prohibit using offshore companies as bond issuing vehicles. Where a shareholder of an offshore company dies, it is usually necessary to have the will admitted to probate in the offshore jurisdiction as well or, if intestate, to have the letters of administration re-sealed in that jurisdiction, which can add to cost, delay and inconvenience in administering the deceased's estate.

Ethical issues and approaches

Philosophers and others disagree about the purpose of a business in society. For example, some suggest that the principal purpose of a business is to maximize returns to its owners, or in the case of a publicly-traded concern, its shareholders. Thus, under this view, only those activities that increase profitability and shareholder value should be encouraged. Some believe that the only companies that are likely to survive in a competitive marketplace are those that place profit maximization above everything else. However, some point out that self interest would still require a business to obey the law and adhere to basic moral rules, because the consequences of failing to do so could be very costly in fines, loss of licensure, or company reputation.

The economist Milton Friedman was a leading proponent of this view other theorists contend that a business has moral duties that extend well beyond serving the interests of its owners or stockholders, and that these duties consist of more than simply obeying the law. They believe a business has moral responsibilities to so-called stakeholders, people who have an interest in the conduct of the business, which might include employees, customers, vendors, the local community, or even society as a whole. They would say that stakeholders have certain rights with regard to how the business operates, and some would even suggest that this even includes rights of governance.

Some theorists have adapted social contract theory to business, whereby companies become quasi-democratic associations, and employees and other stakeholders are given voice over a company's operations. This approach has become especially popular subsequent to the revival of contract theory in political philosophy, which is largely due to John Rawls *A* Theory *of* Justice, and the advent of the consensus-oriented approach to solving business problems, an aspect of the quality movement" that emerged in the 1980s. Professors Thomas Donaldson and Thomas Dunfee proposed a version of contract theory for business, which they call Integrative Social Contracts Theory.

They posit that conflicting interests are best resolved by formulating a "fair agreement" between the parties, using a combination of i macro-principles that all rational people would agree upon as universal principles, and, ii) micro-principles formulated by actual agreements among the interested parties. Critics say the proponents of contract theories miss a central point, namely, that a business is someone's property and not a mini-state or a means of distributing social justice.

Ethical issues can arise when companies must comply with multiple and sometimes conflicting legal or cultural standards, as in the case of multinational companies that operate in countries with varying practices. The question arises, for example, ought a company to obey the laws of its home country, or should it follow the less stringent laws of the developing country in which it does business? To illustrate, United States law forbids companies from paying bribes either domestically or overseas; however, in other parts of the world, bribery is a customary, accepted way of doing business. Similar problems can occur with regard to child labor, employee safety, work hours, wages, discrimination, and environmental protection laws.

It is sometimes claimed that a Gresham's law of ethics applies in which bad ethical practices drive out good ethical practices. It is claimed that in a competitive business environment, those companies that survive are the ones that recognize that their only role is to maximize profits. On this view, the competitive system fosters a downward ethical spiral.

The major factors affecting how a business is organized are usually the size and scope of the business, and its anticipated management and ownership. A smaller business is more flexible, larger businesses or those with wider ownership or more formal structures will usually tend to be organized as partnerships or more commonly corporations. In addition a business which wishes to raise money on a stock market or to be owned by a wide range of people will often be required to adopt a specific legal form to do so.

The sector and country private profit making businesses are different from government owned bodies. In some countries, certain businesses are legally obliged to be organized certain ways. Limited liability corporations, and limited liability partnerships, protect their owners from business failure, and are treated as separate entities, whereas an unincorporated business or person working on their own is usually not so protected. Tax advantages different structures are treated differently in tax law, and may have advantages for this reason.

Disclosure and compliance requirements different business structures may be required to make more or less information public or reported to relevant authorities, and may be bound to comply with different rules and regulations. Many businesses are operated through a separate entity such as a corporation, limited partnership or limited liability company. Most legal jurisdictions allow people to organize such an entity by filing certain charter documents with the relevant Secretary of State or equivalent and complying with certain other ongoing obligations. The relationships and legal rights of shareholders, limited partners, or members, as the case may be, are governed partly by the charter documents and partly by the law of the jurisdiction where the entity is organized.

Generally speaking, shareholders in a corporation, limited partners in a limited partnership, and members in a limited liability company are shielded from personal liability for the debts and obligations of the entity, which is legally treated as a separate "person." This means that unless there is misconduct, the owner's own possessions are strongly protected in law, if the business does not succeed.
Where two or more individuals own a business together but have failed to organize a more specialized form of vehicle, they will be treated as a general partnership. The terms of a partnership will be partly governed by a partnership agreement if one is created and partly by the law of the jurisdiction where the partnership is located. No paperwork or filing is necessary to create a partnership, and without an agreement, the relationships and legal rights of the partners will be entirely governed by the law of the jurisdiction where the partnership is located.

A single person who owns and runs a business is commonly known as a sole proprietor, whether he or she owns it directly or through a formally organized entity. A few relevant factors to consider in deciding how to operate a business include general partners in a partnership other than a limited liability partnership, plus anyone who personally owns and operates a business without creating a separate legal entity, are personally liable for the debts and obligations of the business. Generally, corporations are required to pay tax just like "real" people. In some tax systems, this can give rise to so-called double taxation, because first the corporation pays tax on the profit, and then when the corporation distributes its profits to its owners, individuals have to include dividends in their income when they complete their personal tax returns, at which point a second layer of income tax is imposed.

In most countries, there are laws which treat small corporations differently than large ones they may be exempt from certain legal filing requirements or labor laws, have simplified procedures in specialized areas, and have simplified, advantageous, or slightly different tax treatment.

In order to go public sometimes called IPO which basically means to allow a part of the business to be owned by a wider range of investors or the public in general -- you must organize a separate entity, which is usually required to comply with a tighter set of laws and procedures.

Most public entities are corporations that have sold shares, but increasingly there are also public LLCs that sell units sometimes also called shares, and other more exotic entities as well for example, REITs in the USA, Unit Trusts in the UK. However, you cannot take a general partnership public.

Commercial law

Most commercial transactions are governed by a very detailed and well-established body of rules that have evolved over a very long period of time, it being the case that governing trade and commerce was a strong driving force in the creation of law and courts in Western civilization. As for other laws that regulate or impact businesses, in many countries it is all but impossible to chronicle them all in a single reference source. There are laws governing treatment of labor and generally relations with employees, safety and protection issues OSHA or Health and Safety, anti-discrimination laws age, gender, disabilities, race, and in some jurisdictions, sexual orientation, minimum wage laws, union laws, workers compensation laws, and annual vacation or working hours time.

In some specialized businesses, there may also be licenses required, either due to special laws that govern entry into certain trades, occupations or professions, which may require special education, or by local governments who just want your money. Professions that require special licenses run the gamut from law and medicine to flying airplanes to selling liquor to radio broadcasting to selling investment securities to selling used cars to roofing. Local jurisdictions may also require special licenses and taxes just to operate a business without regard to the type of business involved.

Some businesses are subject to ongoing special regulation. These industries include, for example, public utilities, investment securities, banking, insurance, broadcasting, aviation, and health care providers. Environmental regulations are also very complex and can impact many kinds of businesses in unexpected ways.

Capital

When businesses need to raise money called capital, more laws come into play. A highly complex set of laws and regulations govern the offer and sale of investment securities the means of raising money in most Western countries. These regulations can require disclosure of a lot of specific financial and other information about the business and give buyers certain remedies. Because "securities" is a very broad term, most investment transactions will be potentially subject to these laws, unless a special exemption is available.

Capital may be raised through private means, by public offer IPO on a stock exchange, or in many other ways. Major stock exchanges include the New York Stock Exchange and Nasdaq USA, the London Stock Exchange UK, the Tokyo Stock Exchange Japan, and so on. Most countries with capital markets have at least one. Businesses that have gone "public" are subject to extremely detailed and complicated regulation about their internal governance (such as how executive officers' compensation is determined) and when and how information is disclosed to the public and their shareholders.

In the United States, these regulations are primarily implemented and enforced by the United States Securities and Exchange Commission (SEC). Other Western nations have comparable regulatory bodies.

As noted at the beginning, it is impossible to enumerate all of the types of laws and regulations that impact on business today. In fact, these laws have become so numerous and complex, that no business lawyer can learn them all, forcing increasing specialization among corporate attorneys. It is not unheard of for teams of 5 to 10 attorneys to be required to handle certain kinds of corporate transactions, due to the sprawling nature of modern regulation.

Commercial law spans general corporate law, employment and labor law, healthcare law, securities law, M&A law who specialize in acquisitions, tax law, ERISA law ERISA in the United States governs employee benefit plans, food and drug regulatory law, intellectual property law specializing in copyrights, patents, trademarks and such, telecommunications law, and more. In Thailand, for example, it is necessary to *register* a particular amount of capital for each employee, and pay a fee to the government for the amount of capital registered.
There is no legal requirement to prove that this capital actually exists, the only requirement is to pay the fee. This is a typical example of a corrupt government using its power to create laws in order to steal money. Overall, processes like this are detrimental to the development and GDP of a country, but often exist in "feudal" developing countries.

Intellectual property

Businesses often have important intellectual property" that needs protection from competitors in order to stay profitable. This could require patents or copyrights or preservation of trade secrets. Most businesses have names, logos and similar branding techniques that could benefit from trade marking. Patents and copyrights in the United States are largely governed by federal law, while trade secrets and trade marking are mostly a matter of state law. Because of the nature of intellectual property, a business needs protection in every jurisdiction in which they are concerned about competitors. Many countries are signatories to international treaties concerning intellectual property.

Business analysis helps an organization to improve how it conducts its functions and activities in order to reduce overall costs, provide more efficient use of resources, and better support customers. It introduces the notion of process orientation, of concentrating on and rethinking end-to-end activities that create value for customers, while removing unnecessary, non-value added work. The person who carries out this task is called a business analyst

There should be Improve project efficiency can be achieved in two somewhat related dimensions by reducing rework or extra work needed in a project to fix errors due to incomplete or missing requirements and by shortening project length. Rework is one of the largest headaches facing CIOs and it has become so common at many organizations that it is actually built into the project budget and timeline.

Estimates of rework on typical projects ranges between 20% and 30% of total project budget rework impacts the entire software development process from definition to coding and testing. One of the reasons for rework is that the requirements gathering and definition process is broken in most organizations and there is a huge disconnect between the business and technical sides of a project. While various technical solutions have helped make developers, coders and testers more efficient, very few solutions have been targeted at the business analysts who are tasked with delivering the requirements. Shortening project length produces two outcomes.
For every month that a project can be shortened, the cost of the project resources can be avoided and released to work on other projects. This actually produces a double-whammy effect savings on the current project and accelerating the start of future projects resulting in more project output. The other side of this equation is to achieve project benefits faster. It does not matter whether the project benefits are based on revenue enhancements or cost reductions; shorter projects mean benefits will be reached faster. Similar to what was already discussed earlier for the line of business executives, being able to reap the project benefits earlier can produce very large returns.

The process of decision making is of the utmost importance for effective management. As a manager, your decision making must be informed by expert knowledge and experience. To that end, the articles below on decision making can help. The Business Control Model represents the primary processes of the organization and their control, grouped in business functions. The DEM reference model exists of one main Business Control Model, resulting in several other Business Control Models per function area of the organization. The Business Organization Model focuses less on the processes and more on the organizational aspects such as roles and responsibilities. Together these models are capable of depicting the total organizational structure and aspects that are necessary during the implementation of the Baan product. The models can have differentiations, which are based on the typology of the organization (i.e.: engineer-to-order organizations require different model structures than assemble-to-order organizations. In order to elaborate on the way that the reference model is used to implement the Baan software and to keep track of the scope of implementation methods, the Business Control Model and the Business Process Model will be explained in detail.

The history of international relations is often traced back to the Peace of Westphalia of 1648, where the modern state system was developed. Prior to this, the European medieval organization of political authority was based on a vaguely hierarchical religious order.

Westphalia instituted the legal concept of sovereignty, which essentially meant that rulers, or the legitimate sovereigns, would recognize no internal equals within a defined territory and no external superiors as the ultimate authority within the territory's sovereign borders. Classical Greek and Roman authority at times resembled the Westphalia system, but both lacked the notion of sovereignty.

Westphalia encouraged the rise of independent nation-state, the institutionalization of diplomacy and armies. This particular European system was exported to the Americas, Africa, and Asia via colonialism and the standards of civilization. The contemporary international system was finally established through decolonization during the Cold War. However, this is somewhat over-simplified. While the nation-state system is considered modern, many states have not incorporated the system and are termed pre-modern. Further, a handful of states have moved beyond the nation-state system and can be considered "post-modern". The ability of contemporary IR discourse to explain the relations of these different types of states is disputed. "Levels of analysis" is a way of looking at the international system, which includes the individual level, the domestic nation-state as a unit, the international level of transnational and intergovernmental affairs, and the global level.

What is explicitly recognized as International Relations theory was not developed until after World War I, and is dealt with in more detail below. IR theory, however, has a long tradition of drawing on the work of other social sciences. The use of capitalizations of the 'I' and 'R' in International Relations aims to distinguish the academic discipline of International Relations from the phenomena of international relations. Many cite Thucydides' "History of the Peloponnesian War" as the inspiration for realist theory, with Hobbes' Leviathan" and Machiavelli's "The Prince" providing further elaboration. Similarly, liberalism draws upon the work of Kant and Rousseau, with the work of the former often being cited as the first elaboration of Democratic Peace Theory. Though contemporary human rights is considerably different than the type of rights envisioned under natural law, Francisco de Vitoria, Hugo Grotius and John Locke offered the first accounts of universal entitlement to certain rights on the basis of common humanity. In the twentieth century, in addition to contemporary theories of liberal internationalism, Marxism has been a foundation of international relations.

Modern communication systems and information technology make international business an achievable goal for all managers. International business opportunities can increase revenue and profits but require sound management techniques. Global' and 'world-class' sound like big words for big companies. But a small business can think as globally as anybody and, what's more, achieve world-class rank in its niche: witness the Green Tyre Company of Middlesbrough. It produced its first bicycle tyre only three years ago, employs 19 people and has a profitable turnover just in seven figures. But those sales are made in 22 countries, because founder Colin Scarsi, never thought of it as anything but a world company.'

His attitude sprang from the frustration of an 'awful lot of work trying to promote UK exports.' Scarsi used to work for the financial services arm of bankers Citicorp, but had 'always fancied manufacturing.' He saw businesses that had difficulty competing. 'Was it really all that difficult?'

Today he says it is that difficult although you wouldn't think so from Green Tyre's phenomenal pace of development. It all began with an article in the Daily Mail, reporting on the Goodyear giant's work on a puncture-proof tyre. That sounded like a wonderful idea to Scarsi, and in May 1991 he launched into his tubeless tyre project, using microcellular polyurethane.

Three introductions were invaluable. One brought in a business angel, a private investor who provided funds and owns the other half of Green Tyre. Second, visiting the US in August 1991, Scarsi found the 'mad scientists' who could turn the technology Goodyear had only 'pottered' about with the idea into a commercial product.

Third, the Development Corporation on Teesside did an absolutely incredible job in easing the passage. Scarsi rang one day, and the next, even though the project was still pie-in-the-sky, people from the Corporation came to see him in London. 'These boys', he said to himself, 'are keen. Scarsi fell keenly in love with Teesside himself, not least because, with 'ICI on the doorstep, it wasn't frightened of chemicals.' The financial aid packages were a help, though not very substantial in relation to the half-million pounds of capital required. And by October 1991, Scarsi was 'fairly confident' that he had a business.

Seven months later, the first tyre was made. Scarsi waxes eloquent about the 'fairly unique' and 'fantastic' properties of his chemicals, which happen to be environmentally virtuous. Hence the name: although the 'green' qualities are actually the weaker of Scarsi's two marketing cards. The strongest, the one which earns the tyres their premium prices starting at double that for a pneumatic product, is the 'never goes flat' argument. But the green issue is 'very important' in markets like Germany and Austria, and is the easier way to create a unique market identity.

To achieve Scarsi's world ambitions, that identity had to be global: 'You've got to present your company as international' - even though at first that may well mean stretching the reality. For a start, Green Tyre operates in six languages, and every person in administration must speak two tongues. Scarsi also put a great deal of effort into product profiles, a four-minute video made in nine lanuages, visiting cards, etc. As he says, the material you take abroad is 'all they're seeing.' The potential customers are unlikely to travel to Middlesbrough: so they have to be impressed on the foreign spot.

The second global necessity is to have a world pricing policy. Pricing must be fairly consistent, and you need to think of the world as a single market. Since Green Tyre faces no domestic competition, that thought comes naturally - Scarsi says that 5.5 million bike tyres are imported into Britain annually.

In relaunching Britain's bike tyre production, Scarsi had his setbacks. While the first year made a profit, it was precisely £515, and the second year made a small loss. In the third year, though profits began to flow at around £150,000, Green Tyre ran into capacity problems: at the end of this month, however, a new automated line comes on stream.

A new breed of company is emerging to lead the Triple Revolution. These businesses are customer-driven in a new sense: they not only respond to customers' wants, but they place the customer in the driver's seat by, paradoxically, leading the customer in directions chosen by management. That paradox springs from innovation. These companies are dynamited by brilliant ideas, conceived in quantity, realized at speed, and all aimed at both creating and serving the market.

These new leaders are inevitably steeped in state-of-the-art information and communication technology, either as its suppliers, its users and/or as both. They have emerged and are emerging in all countries, all markets, and all industries. They have shattered the mould of the world economy. According to a famous 1960s projection, that was supposed to fall into the hands of 300 mega-multinationals. Instead, it is the mighty who are in danger of falling - and many have.

They have tried to avoid their apparent fate. But whether it is shattered profits (Shell), achieving turmoil by takeover (BMW), inability to grow businesses (Siemens) - the list of giant victims rumbles on and on. Some of the shambles represents passing affliction, like slumping oil prices. But chronic disease is also rampant. Many companies are living in the past when the future is rushing upon them at breathtaking pace. In that future, size is less relevant than speed, and muscle less important than litheness.

The continuing orgy of mega-mergers as the Millennium approached reflects a dangerously different view. Management after management is still betting billions of shareholder wealth on the proposition that the battle goes to the biggest. In the real world, lumbering elephants are exposed by the aggression of speeding midgets. No matter how hard they try witnessing IBM the old-line companies, even those that have pioneered the new technology, cannot win the sprint championship - and that is increasingly the only race in town.

That places unprecedented pressure on the mighty. The Internet and its entire works affect them in two painful ways. First, cyberspace has brought global competitiveness within the reach of any entrepreneurial spirit, even with modest resources. Second, the same technology has become a decisive weapon for revolutionary companies, strong on people policies, low on hierarchy, fluid, flexible and fleet. Often created by the entrepreneurial spirits mentioned above, these new competitors have decisive advantages over the mighty and muscle bound.

They even have money, in millions and billions. The apparently insane boom in Internet stocks in 1999 had an eminently sane side. It enabled the new entrepreneurs to lay their hands on super-abundant capital, priced with wonderful cheapness.

The cash hoards of new heavyweights like Microsoft, moreover, rival or surpass those of the old-line leaders. Well-financed, well-staffed, and well-managed, the revolutionaries have nothing to fear from corporations which were once cushioned by their wealth and fixed assets.

Financial services show vividly what must happen on a widening front. Virtually every company in banking, or insurance, or home loans follows the same strategy. Nobody has genuinely new ideas. Nobody mobilises human assets to win growth: sackings a.k.a 'down-sizing' and 'restructuring are the favoured, wrong-headed strategy. Piece by piece, the profitable business is being chewed away by newcomers like First Direct, which pioneered telephone banking in Britain, and Charles Schwab, the investment king of cyberspace.

Schwab's venture into online broking has been a stunning success: online banking is bound to follow in these rapid footsteps. In every industry, many more upstarts are starting up every month, every week, probably every day. Whole sectors will fragment and reform, much like computers itself. As that industry churned, IBM lost its stronghold in hardware which none of its bigtime rivals had been able to dislodge to little PC and workstation rivals. It fell behind in third-party software, too, losing out to Microsoft and swarms of other midgets.

In services, beaten to the punch by upstart EDS and another tiny crowd, IBM is also confronted by converted accountancy practices. In microcircuits, start-up Intel has left IBM in the dust - and so on. Each of the King's challengers seemed insignificant on entry, only for the fastest to emerge as new giants, billionaire companies whose wealth is created by equity markets and predicated on the ability to mine still more paper gold.

INTERNET OVER-VALUATIONS

Microsoft's Bill Gates regards this boom with misgiving, deploring the over-valuation of Internet stocks. When Gates spoke, the price/earnings ratios of 350 on America Online, let alone the 1700 on Yahoo!, did indeed look lunatic. But Gates was threatened by what the lunatic ratings represent. He may be yesterday's man, 'the old-timer in a kid's game', to quote Fortune.

Microsoft's near-monopolies in PC operating systems and office software are threatened on several fronts. The magazine lists five threats. (1) tiny computers that do not use Microsoft software; (2) the best-selling debut of the Apple iMac (also non-Microsoft); (3) Sun Microsystems and Java (the language that bypasses Windows); (4) direct Internet access to software programmes (5) the free operating system named Linux.

Each of these challenges is linked with a new array of upstarts. All of them represent a turning of the tide away from the Wintel proprietary dominance for Intel is also challenged by cheaper microprocessors and towards open competition: the same kind of flood that drowned IBM's monopoly. Nature abhors a monopoly, and so does technology. It is many-sided and no respecter of persons or the past. Both economics and applied science work against industrial establishments.

History tells that it is desperately difficult, anyway, to reverse such rolling tides. Companies of historic success, buttressed by stupendous cash flows Shell's was $15 billion in 1998 are staffed at the top by well-heeled managers with vested interests in the past. That makes it hard to contemplate, let alone create, a future these men no women will only see as retirees. In contrast, the revolutionaries, led by the Silicon Valley Guevaras, are much younger people, who carry no baggage, make up their traditions as they go along, and discard them just as rapidly.

Netscape and AOL, now joined in wedlock, have metamorphosed continually. The established companies in the establishment industries have great difficulty in changing at all: metamorphosis is beyond their capability. Shell was deep into a long programme, unrolled over years rather than months, and designed to change its culture, when it was struck amidships by the blows to its profits. Ironically, the culture change was supposed to raise its profitability. Top-down change, yet again, had proved counter-productive.

Just embracing the new technology of marketing and selling will not avert nemesis. The technology is essential, and most companies have been abysmally slow in adopting e-commerce breakthroughs. But management processes also need revolution. Today you cannot afford to delay decisions for months while committees deliberate, back-burners get overloaded, and defensive people cover their backs. Nor dare you frustrate the young, bright and ambitious by resisting, second-guessing and eventually killing their ideas.

Do that and they will react like today's promiscuous customers? They will vote with their well-shod feet. The troubled giants face a dual retention problem. They stand to lose both their best clients and their best employees, very possibly to existing upstarts, or to start-ups of the employees' own. The initials SAP should be engraved on every mega-company's heart. They are already more than likely to be engraved on its mind, for SAP's enterprise-wide software systems have been installed by blue-chip after blue-chip.

SAP has (or had, for competition is rising) a hold over this top-level market that is reminiscent of IBM's prowess with mainframes. The analogy is appropriate, since the German company was founded by four engineers who broke away from IBM when its management frustrated their project.

The enormously expensive contracts which SAP now fulfills have taken its sales to $5 billion and its market value to $xxxx billion, compared to IBM's $98.3 billion. Every one of SAP's contracts represents business which might have been IBM's.

THE DOUBLE LOSS

The double loss of clients and people is today's problem as well as tomorrows. You can readily find companies which, right now, are losing more (and more profitable) customers than they can recruit. The law of nature would suggest nothing different. If companies, however large, have outlived their usefulness, so what? But the braver and far better course for larger corporations is to embrace and manage change: to ride the revolution.

No blue-chip behemoth has attempted this. Shell's much-trumpeted culture change, for instance, merely nibbled at the edges, with the afore-mentioned awful results. But the failures provide no reason for not trying: quite the reverse. Otherwise the survivors risk the same fate as more than half the original British companies in the Footsie 500, who have simply dropped out of the list, after only 15 years. The next 15 will be even deadlier for would-be dinosaurs, richer still for their young and thrusting predators. On one prediction, 80% of the Fortune 500 are faced with dwindling or disappearance over the next few years.

Bizarrely, their managements may be congratulating themselves on having raised 'shareholder value' even as their companies head for a great fall. When the stock market creates billions of paper profits in a day, it generates huge advances in 'SHV'. True believers in the SHV cult, however, don't regard their idol in this light, as a mere euphemism for boosting share prices - which, in raging bull markets, is no hard trick. It sounds much harder just to calculate, let alone increase, the 'present value of future cash flows discounted at its weighted average cost of capital less the value of debt'.

The Price Waterhouse tome which thus defines SHV inadvertently reveals that many cultist managements have no such calculations - or anything else - in mind. 'Perhaps your company has declared a commitment to shareholder value', begin the three authors, 'and you want an explanation'. What kind of management commits itself to a prime directive that it can't even explain? Commentators, however, dispense with explanations. Thus, CEO Lou Gerstner was praised by one magazine for raising IBM's value 'more than $40 billion in four years': and that meant simply in the stock market.

Writing in the Financial Times, business professor Henry Mintzberg neatly skewered such claims with three well-chosen words: 'All by himself'. If Gerstner truly were the unique hero, he would also be the villain of every share fall. He would certainly own all the credit, or discredit, for IBM's dismal sales growth in a dynamic industry: 3% in 1997, 4% in 1998. Harshly enough, Business Week calculated that IBM would enhance SHV by selling no less than five major businesses - including PCs - to focus on services, etc.

That analysis doubtless referred to the crude SHV, hinging only on the share price, which is what managers also really pursue. It is a wildly inappropriate choice for the prime objective of corporate strategy. All that happens is that managements twist and turn as they search for a new story that will galvanise the analysts and elevate the price-earnings ratio: like the sale of assets as advised for IBM to concentrate on a new 'core'.

But sell-off exercises merely repair the devaluation wrought by past neglect of the real, intrinsic worth of businesses. IBM's PCs once had an Intel-like quasi-monopoly. Successive PC managements changed far too often devalued the strategic strength of a marvellous brand. Sold off, the PC business, along with IBM's other suggested discards, might have remade itself into a revolutionary operation - a real challenger to the upstarts (notably Compaq and Dell) who were allowed by IBM to seize advantage after advantage.

Michael Dell is by no means indifferent to the share price which has given him a multi-billion dollar fortune. But his true success lies in the design and creation of business systems that achieve non-financial prodigies of performance. For instance, Dell has brought inventory down to eight days, a third of Compaq's. The proper target for management is optimisation of the system to achieve best-of-breed performance on all significant measures, internal and external. The SHV thus created lies in the ability to generate superior revenue and profit growth over time.

THE KNOWLEDGE POWERHOUSE

Taking the share price as objective puts the cart far ahead of the horse. And if putting the business unequivocally first also does wonders for the 'discounted present value of future cash flows', so much the better for everybody - including shareholders. Giving such priority to the business means priority for information and communications technology, for the simple reason that moving the organisation from conservative to visionary demands reconstructing all its processes around the knowledge powerhouse.

If those leading the organisation cannot grasp that truth, they are not visionaries, and the outlook for any reform plans is worse than uncertain. That acid test is whether those at the top, the seniors, are ready and able to move into the strategy zone or out altogether. In that zone they look ahead, they oversee, they inspire. But they don't even try to 'manage' in an operational sense. They entrust younger men and many more women with the task of remaking the corporation, by removing hierarchical levels and customs, slaughtering sacred cows, and speeding up all processes.

The operators will move towards the virtual ideal, in which customer, corporation and supplier are indivisible. That sounds complex, but is actually based on simple principles and activated by approachable and readily available technology. After all, what is more natural than sharing information with your business partners and your own colleagues? And what is more sensible than acting on that information to achieve the optimal results for everybody engaged in the business system?

Riding the Revolution is most difficult psychologically: the technological, financial and economic inhibitions are as nothing compared to the fear of the unknown, the clinging to the past and the worries over risk that stop managements from taking this plain, ten-step route to the future - and to prosperity:

1. Always put the human factor first. Technology is useless unless it fulfills the requirements of human beings.

2. Always use the technology to simplify. Reduce complex issues to simple, commonsense principles.

3. Work towards clear, significant objectives. Form aims that will inform and guide, not only the technologists, but everybody else.

4. Spend money to defend money. Lagging behind on the technology will boost profits at the cost of the business.

5. Spend as long as necessary on the preliminary work of creating the set-up. Build a system in which people can operate effectively.

6. Expect the investment to make an 'economic profit'. That is, a handsome return over and above the cost of capital.

7. Use the system to delegate responsibility. Make people responsible for what they personally influence.

8. Only invest in technologies whose business economics are sound. Keep commercial purpose constantly in mind.

9. Always aim to produce the best long-term results. But also seek to optimise short-term performance.

10. Know that mistakes made in the cause of progress are no mistake - if you learn and apply their lessons. Be prepared to experiment.

These principles animate a truly Millennial management. But they are only a beginning. Faced with inescapable complexity and constant, managers have always sought for immutable guidelines (like Hewlett-Packard's 'The H-P Way') and for permanent business systems (like the innovation processes at 3M). In both companies immutability and permanence eventually produced unresponsiveness and conservatism: the length of 'eventually' depended on the personal strengths of the leadership. In the Age of the Triple Revolution, that is no longer enough.

Mutable, transient, responsive and revolutionary organisations are paradoxically the only corporate life-forms that promise to be lasting.

They depend on an excellent infrastructure of information and communications, working in combination with killer apps that use the infrastructure to transform processes and businesses. There are no certainties in this formula. But an uncertain world provides limitless opportunities for internal and external breakthroughs, for phenomenal payoffs at fractional costs. The winning strategy is just three words long. Ride the Revolution!

The Swatch is an excellent example of a powerful idea. The development of the quartz movement meant that Japanese watches using it were as accurate as - or more accurate than - the Swiss watches with their expensive mechanical movements. Accuracy could no longer be the selling point. The expensive Swiss watch industry has indeed survived because it is no longer a 'watch industry' but is now a jewellery business. How else can men show how rich they are? They need to show this to themselves as well as to others. I once bought a watch in Australia for about $1.50. The time-keeping was as accurate as any other more expensive watch. It looked quite good, but I knew that this watch was not jewellery.

CREATIVE CONCEPT

The creative concept of Swatch's Nicholas Hayek was to say that, if time-keeping was no longer expensive, it now became possible to sell cheaper watches. This was only half the concept. If the cheap watches were cheap and ugly, there would be no market so the cheap watches had to be cheap, but also cheerful and attractive. In a way, that was the key element of success.

If the watches had a large 'design' element and were still cheap, then a person might buy several Swatches one after the other, if a new design appealed. This opened the way to repeat business. In the traditional watch industry an expensive watch used to last at least a lifetime.

STRONG BRANDING

There was still another value to the Swatch concept. This was part of the strong branding. If Swatches were known to have a strong design element, then this became part of the 'branding'. Swatches were recognisable both on the wrists and in stores. Others have tried to imitate the concept, but with less success. The idea has proved to be a powerful one. But how much of that success could have been predicted? There was no model for cheap watches as great sellers. Perhaps someone would come along and make cheap watches which looked very similar to the expensive ones and so take over the cheap watch market.

There was a considerable risk: the fact that things turned out very well does not mean that the idea was an obvious winner from the start. As important as the 'concept' was the very thorough implementation of the idea. The Swatch logo was visible everywhere. At this point in time, it is difficult to say which came first.

Did the highly efficient distribution system lead to the high sales? Or did the initial high sales lead to an effective distribution system, because everyone, sensing success, wanted to be in on the act?

SWISS COMBINATION

Could the Swatch have succeeded if it had not been known to be Swiss? This answer to this question is not at all obvious. If a Korean company had started to produce 'Swatch-type' watches, would there have been the same success? I very much doubt it. The combination of esteemed 'Swiss watch-manship' and the low price was needed for success.

For exactly the sme reason, the idea could have faced opposition in Switzerland. Why debase the great reputation of the Swiss watch industry with cheap watches? So it is even more to the credit of Nicholas Hayek that the idea was implemented. This example illustrates the four stages of a creative idea.

1. The generation of the idea
2. The designed value of the idea
3. The acceptance of the idea
4. The implementation of the idea

The acceptance stage is not easy. If you are in a position to manufacture the item, then acceptance is at the level of wholesale and retail. Then there is also acceptance by the customer. When McDonald's started to serve breakfasts, the operation lost money for four years. Customers were not used to having breakfast outside the home. Then the idea caught on and it became the most profitable part of the operation. But you need to have courage and considerable resources to stay with a loss-making idea for four years. Of course, it might have been predicted that the 'take-up' of the idea would be slow.

Normally, it is part of the creative design process that the new idea should be designed to be acceptable at all the needed levels. It is not much use having a wonderful new idea that no one wants to try.

The difficulty arises when the 'acceptance value' and the ultimate 'consumer value' are in opposition to each other. To change the idea so that it becomes more acceptable to the implementers may mean that the idea is so weakened that it is not of much value to ultimate consumer.

The consumer does not have to take risks. If there is no obvious value you do not buy. It is the implementers who have to take the risk. Will the expected value actually materialise in the market place? Experience is the usual judgment base for taking risks. But what if there is no experience? What if the experience is contrary? With the Swatch, the experience of the Swiss watch industry was with precision-made expensive watches. The 'cheap' notion was indeed contrary. The industry could have sat back and stayed with the expensive watches, leaving the cheaper watches to the Japanese. Most watch-makers probably did just this.

CONFIDENCE

If there is confidence at the value level then the other risks are reduced. Can values, as such, be pre-tested? This is not usually easy. There can be comparisons with similar values in other fields (like cheap airline flights) but the comparison may not be valid. You may want a cheaper holiday, but not a cheaper watch. With the Swatch the key point was 'the quartz' accuracy. Without this high-tech ingredient, the cheap concept would never have worked.

European companies face a grave risk of losing the global wars before battle has been fully joined. Too many of Europe's leading businesses don't actually lead. They don't compete on all fronts; don't lead their markets on every aspect valued by customers; don't think big enough; are not totally professional; innovate too little; and are falling behind in their base businesses.

Running through that catalogue of leadership failure is a seventh deadly sin: reluctance to change radically enough or fast enough. The exceptions only prove the rule. Nokia has won world leadership in mobile phones by changing full speed from a sprawling conglomerate to concentrated powerhouse. In semiconductors STMicroelectronics has kept the European flag flying by adopting continuous change as its way of life: like Nokia, it exemplifies the seven virtuous opposites to the deadly sins.

Both those stars are rare European winners in the high-tech markets. The rarity is even greater in the newest and most epochal of these: e-commerce. Fortune magazine lists eight companies which are generating super-wealth from the World Wide Web: Dell, @Home, Amazon, Intuit, Cisco, Double Click, Yahoo and CNET - Americans all. You will be hard-pressed to find many European equivalents, and still harder pressed to find CEOs running their companies along the dynamic, quick-draw, quick-change lines of the 'e-CEOs'.

Their staid contemporaries in Britain and on the Continent are not blind to what's going on. They know their companies have to change. They know that top management has to devolve work to cross-functional, multi-disciplinary, inter-departmental teams, which cut across boundaries of seniority, experience and geography. They may even know that evolution is no longer enough. But these people are not remotely revolutionary by the exacting standards of cyberspace.

When the traditional autocratic corporate hierarchy tries to embrace the new IT, what you get is sadly shown by a typical multinational giant. Deciding (rightly) to connect all its people and businesses worldwide, it spilt forth documents and presentations about going on 'a transformation journey which will require each and everyone of us, (you), to commit to and take individual ownership for the Business Principles and the Values in order to achieve the breakthrough performance that will be required'.

The flood of unfocussed verbiage was inspired by nothing more radical, in essence, than installing a badly overdue common desktop platform.

The company had itself identified five defects in the 'current reality'. Each fault was serious enough to demand, not a leisurely journey, but a flat-out sprint for salvation. On its own admission, it suffered from excessive internal focus and bureaucracy. Instead of sharing information, people clung to it as a power source. Instead of sharing resources, they settled for expensive overlaps and extensive loss of business.

This constipated colossus was supposed to move to a 'future reality' of sharing best practices through 'virtual distributed teams' in a 'culture committed to learning' in which 'partnering with customers and suppliers' would thrive. The company (or its directors) definitely wanted to move in the right directions. Yet the apparatus being asked to mastermind the transformation was the very machine exhibiting those alarming faults.

A lumbering process is no way to speed up and reform a lumbering giant. Its subsequent financial results have in fact been terrible. The leaders had not understood that an information and communication system which, like the Web, is shared around the world demands wholly new norms. The ground rules have altered so severely that even a brilliant high-tech leader like Compaq can be stranded by the pace of change. Europe's large laggards hardly have a better chance of avoiding the same fate.

The longer you leave failures to fester, the greater the probability of corporate upheaval. Compaq's Eckhard Pfeiffer lost his job through taking too long over closing the performance gap opened by Michael Dell, too long over finding some way to combat Dell's direct sales, too long over making sense of the muddled mega-merger with Digital Equipment. Many European companies are in a similar fix: lagging on performance, wrestling with obsolete business models - and in many cases depending, often forlornly, on giant mergers for their global chances.

Such colossal unions as Daimler-Benz/Chrysler, or British Petroleum/Amoco, may work: but the wise money is holding back on this bet. Earlier, BP was an outstanding example of radical change fired by a simple ambition: to be the best. Top management slashed the bureaucracy and set simple targets, and linked overall aims with objectives for every unit and team. While BP's pay-off came speedily, arch-rival Royal Dutch-Shell lagged behind - until its directors applied much the same formula.

The board ordained a higher return on capital, cut down on head office, and linked individual pay to performance. The reforms flopped as spectacularly as BP's had succeeded. In the latest financial year, Shell's profits slumped by 95% and return on capital was negligible.

Radical change can only be successfully pursued on a radical timescale. That truth has become an imperative as the pace of business change has speeded up. You can't afford the luxury of 'a few more years' when Internet use is doubling every 100 days. You dare not be a follower when even the leaders can hit real difficulty. Industry insiders are openly speculating over whether even Microsoft (and Bill Gates) will go the way of IBM, locked into an obsolete business model, cordially detested by customers, and running out of growth in saturated markets.

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