The Role of Transnational Corporations in the Entity Structure of World Economy – A Contribution to the Verification of G.S. Yip's Proposition

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Introduction

The purpose of this paper is to reflect on the structure of the participants of the modern world economy. In particular, it attempts to refer to the basic problems of the 'global strategy', as formulated by G.S. Yip, in form of the question: What is the real degree of globalization of a given industry and what impact does it have on the strategies of transnational corporations operating in the global market. According to G.S. Yip’s proposition, it is the degree of an industry's globalization that determines the nature of the process and is the most significant characteristic of modern international relations. When formulated in this way, the subject may be analyzed from three different perspectives. The first perspective is an identification of the nature of the globalization process – its representations, forms, and conditions. The second is from the perspective of the transnational corporation, a specific type of company that is both a designation of globalization and a category which is used to explain its causes and consequences. In turn, the third perspective is an empirical attempt to answer the fundamental question of the article, namely the real degree of globalization of various economic sectors.

1. Reasons and Conditions for Globalization of the World Economy

In general terms, globalization means a process of intensification of political, cultural, and economic relations, on an international scale. Thus, it is a phenomenon of increasing connections and co-dependencies among countries, clusters of countries, their economies, and corporations. When examining this characteristic of modern international relations from the economic point of view, which is fundamental to the subject matter of this article, it can be stated that globalization constitutes a complex and dynamic process of connections and dependencies of systems of manufacturing and trade in goods, services, and capital, on an international scale. It also means an increase in the internationalization of state economies and a dramatic penetration and convergence of the world markets. The opening of goods,
services, and capital markets of an increasing number of countries, mainly the most highly
developed ones, creates the globalization process. This has led to the emergence of a new
system of international economic and political relations, a 'signum temporis' and a domi-
nating feature of modern international economic relations.

It is in this macro-social and macro-economic dimension in which A.G. McGrew and P.
Lewis viewed this process when they stated that "globalization refers to a multitude of
connections and links between countries and societies which create the present system of
the world. It describes the process in which events, decisions and activities in one part of
the world have significant consequences for individuals and whole societies in distant
parts of the world. Globalization is characterized by two dimensions: range [...] and inten-
sity [...] On one hand, this term describes a series of processes that cover the majority of
the globe or that occur worldwide, the concept thus has a spatial connotation. On the
other hand, it implies intensification on levels of mutual influence, association and mutual
dependence between countries and societies which create the world community. Global
processes are not only spreading but also deepening. Although globalization is not an
abstract concept, it expresses one of the best known features of contemporary existence.
Of course, globalization does not mean that the world is becoming more politically united,
culturally interdependent and culturally homogenous. Globalization is spread very un-
evenly and varied in its consequences." (Grupa Lizbońska 1996, 50).

Globalization, as a fundamental megatrend in the development of the modern world, is a
complex and multi-dimensional phenomenon because it covers the majority or even all
areas of social, cultural, political, and economic activity that extend beyond national
boundaries of a country, its society, and its economy. Globalization processes have an
impact on 'markets' and corporate performance strategies, finance and technology sys-
tems, research and development environments, as well as general knowledge, lifestyles,
models of consumption, access to culture, management styles, and legal regulations.

Globalization has become an object of an increasing amount of interdisciplinary research
conducted within various subsystems of economics and management, as well as other
scientific disciplines (political science, law, sociology, etc.). This process can be considered
from many different points of view, appropriate for the scope, intended audience, and
methodology of a particular discipline. Therefore this paper cannot claim to offer a deep
insight into the issue of globalization. Its purpose, however, is to consider the basic
problems of globalization and the challenges they pose for corporations in the internatio-
nal marketplace. We have identified these challenges based on a selective approach to the
issue, and by formulating the proposition that globalization is a fundamental feature of
the modern world economy and its scope, in reference to the supply side of the economy,
can be expressed by the degree of globalization of separate economic sectors.

The factors of globalization cause more dramatic tendencies for the liberalization of
foreign trade, increasing internationalization of manufacturing and distribution systems,
shortening of life cycles of a growing number of goods and services, and increasing
spending on R&D and technological advancement in general, in particular information and
telecommunication technologies, all of which is transforming the world into McLuhan's
'global village.' These factors may be put into four, interdependent groups of phenomena
and processes.

- Development and proliferation of new information technologies. Scientific, technical,
  and technological advancements result in a significant reduction in costs of shipment,
telecommunications, and computerization, which is conducive to market-integrating
tendencies on a global scale.
> Emergence of the world financial market and a dramatic increase in foreign direct
investment.

> Changes in political and economic systems of many countries of the modern world
(including privatization, liberalization, and deregulation), as expressed by the
opening of their economies to the world and lifting barriers to free distribution of
production factors.

Transformation of the mechanisms and characteristics of competition among trans-
national and multinational corporations.

Consequences brought on by globalization processes are vast and can be considered on
different levels and from different perspectives. An on-going debate regarding the
outcomes of globalization reveals various, often opposite, approaches, which express
positive (the optimistic approach) and negative (pessimistic, critical approach) conse-
quences. Without focusing on this issue further, the authors of this paper would like to
emphasize only the principal results of globalization. Undoubtedly, it creates a favorable
climate of stable economic growth and an improvement of living standards and welfare
on an international scale, through creating a broader market, with easier access to
capital, technology, and information. This provides the advantages of economies of
scale, as well as reducing prices, increasing opportunities for broader and better selec-
tion of goods and services through more specialization, a new, international labor
division, better use of resources, etc. Moreover, it creates the conditions for certain
higher concentrations of capital in the huge transnational corporations, and with it, a
certain range of social and economic consequences.

The results of globalization, as an objective process of development of the modern world
economy, are varied, multi-dimensional, and have many aspects. All countries and
corporations that participate in the international labor division and aspire to play a
significant role in it must participate in this process. Understanding of an objective, and
inevitable, characteristic of this process will not only allow a corporation to minimize its
potential costs and threats, but it also constitutes one of the fundamentals of strategic
management and marketing. Ph. Kotler (Kotler 1994, 157) specifically described a need
to identify the main factors in the environment when he wrote that: "the basic duty of a
corporation is to know trends and megatrends that characterize present macro-environ-
ment and a careful monitoring of actions and behavior of the "actors in the micro-
environment". Though this conclusion must be considered important, it must be modi-
fied slightly. The subject of observation should be not only the current environment but
also a future, potential environment, which is characterized, to a large degree, by the
widespread and deepening processes of globalization of the world economy in general,
and in particular, the degree and forms of market globalization and sector globaliza-
tion.

It is to this last issue, namely the globalization of economic sectors and the search for
the correct strategy of operating an enterprise, specifically a transnational corporation, in
international and global markets, that G.S. Yip has devoted his vast study. G.S. Yip
focused his attention on the economic aspects of globalization by searching for answers
to the basic problems facing each enterprise that represents "the international class",
regarding globalization factors, the decision to participate in the global market, and the
enterprise's character. These issues constitute an important and the primary distinc-
tionishing factor of G.S. Yip's concept of globalization, since he concentrated his reflections
on the identification of global strategies of corporations operating in particular sectors...
and did not take into account other, non-corporate dimensions of globalization such as social, political, and cultural ones. While studying globalization, G.S. Yip posed an important question from the cognitive and methodological point of view, namely, how global a sector (field) of corporate activity is and how global should its operating strategy be (Yip 2004, 28). This paper is an attempt to find an answer to the first of the above-mentioned questions, namely what is the real scope of globalization of sectors in the world economy and what is the role of transnational corporations in those sectors.

2. The Transnational Corporation as a Subject of the Global Market

A certain type of an enterprise, the transnational corporation, is a subject/target of globalization in the area of international economic relations. They should be considered from 2 different aspects: firstly, as a prerequisite of internationalization and the globalization processes, and secondly, as their consequence. Companies, with their motives of foreign expansion and objectively conditioned strategies of entry into foreign and international markets, are undoubtedly a significant factor that influences liberalization and deregulation of economic activity in the international arena. However, the opposite thesis is also true, the one that emphasizes a different sequence of activities, namely, it is the intentional policies of countries and international institutions (WTO, IMF, World Bank, etc.) that create the favorable conditions for the development of international cooperation and contribute to the spread of globalization. Such thesis is emphasized by, among others, B. Liberska, who stated that a dynamic development of transnational corporations is a consequence of deep changes taking place in their environment and which are reflected in lifting barriers to communication, capital transfer, new technologies, and findings of research and development work. Such market and technological factors have created an opportunity to act from afar in the global dimension, and have increased access to new markets and new industries for corporations (Globalizacja 2002).

Previous studies in this field have described the activities of transnational corporations in two dimensions: firstly, in the context of globalization processes and consequences and, secondly, in an attempt to find rational and effective methods of international management. Such studies include the works of C.K. Prahalad and G. Hamel, Ch. Bartlett and S. Goshal, J.H. Dunning, as well as E. Cyrsolf, A. Zorska and A. K. Koźmiński and others.

For the purpose of this paper, without developing this question further, it was assumed that the transnational corporation refers to a certain type of enterprise which operates in international and global markets. This is an important assumption since one can find different definitions of companies functioning in foreign markets. Companies can be referred to as international, transnational, multinational and global firms, where the differences between them are explained through their degree of internationalization, their degree of control over resources located abroad, their method of organization and management of activities, as well as the enterprise's size and area of activity. For the purpose of this paper, following P. Dicken's (Dicken 1992, 226) definition, it was assumed that the transnational corporation is an enterprise that coordinates its activities (manufacturing, trade, and services) of its various foreign affiliates from one headquarters which constitutes the center for its strategic decisions. It can operate in both multinational and global markets. G. S. Yip has formulated a special designation to describe a transnational corporation as a global corporation by saying: "a truly global corporation is such a corporation whose companies are located not only in the western and eastern hemispheres but also in the northern and southern hemispheres. In this way distances between companies get bigger and time zones in which they operate are maximally
differentiated. Following an opening to the world of many markets in Asia, Central America and Central and Eastern Europe, limiting their activities to the area of “the Triad Region”, which comprises North America, Western Europe and Japan, is becoming insufficient for international corporations [...]. A global corporation does not need to be present everywhere but it needs to be ready to launch its operations everywhere, to obtain all resources and global maximizing of profits” (Yip 200, 38–39). Further developing this statement, one can add that a global corporation is a special type of enterprise with regards to its range and effectiveness in the international (worldwide) environment and must clearly mark its position in the global industry sector. It is the degree of capital concentration, the market value and value of other marketing assets, its dynamics and petrifaction on the industry scale, which determine the real degree of globalization of the world economy and the role of transnational corporations in the entity structure of world economy.

3. Degree of Globalization of Sectors of the World Economy

A sector, which constitutes a homogenous area of associated business producers and sellers, is the economic structure that creates a real set of conditions for the operation of any enterprise. It is from this perspective that a firm determines its ability to operate and develop; it identifies the barriers of entry and the legal conditions for operating as well as reaching a particular market segment; it is where it faces activities of competitors, who offer the same or similar form of satisfying a particular need; and it is on this very level it positions its product on the consumer perception map, etc. Referring back to the G.S. Yip's proposition, this section reflects a real degree of globalization of the supply side of the world economy. Obviously, this is not the only measure of globalization. Other factors describing a degree of internationalization of corporate activities are also significant. However, they are secondary in the assessment of the degree of a sector's globalization.

At the beginning of the empirical analysis, it was necessary to formulate two methodological remarks.

The first set of data used was the Global 1000, an annual presentation of the 1000 biggest corporations in the world, as prepared by the renowned business magazine BusinessWeek. This publication uses each company's corporate market value as its main criterion in the ranking. This figure is determined by the number of all shares issued by a corporation, multiplied by the share price on a particular day (in the ranking question, it was May 30, 2003). In order to ensure comparability, the corporate market value for those corporations based outside the US, was then converted and quoted in US dollars. The primary data was prepared by Morgan Stanley Capital International Inc., in cooperation with Standard & Poor's.

Secondly, the world economy was then analyzed using the sector classification as described by the Global Industry Classification Standard (GICS). It provides a basis for classification of corporations into separate sectors or industries of the world economy. The 2003 ranking was based on the following 10 sectors:

- Energy (S-10 Sector)
- Materials (S-15 Sector)
- Industrials (S-20 Sector)
> Consumer/Discretionary (S-25 sector)
> Production and distribution of food, beverages, tobacco and household and personal products (S-30 sector)
> Health Care (S-35 sector)
> Financials (S-40 sector)
> Information Technology (S45 sector)
> Telecommunications Services (S-50 sector)
> Utilities (S-55 sector).

The classification used in the 2003 ranking of the Global 1000 is slightly different from the earlier classifications. For instance, in 2000, the Global 1000 was based on the classification of the world economy into 7 sectors (Energy, Materials, Capital Equipment, Consumer Goods, Services, Finance, and Other) within which a total of 39 types of economic activity were identified. This difference makes full comparison and a dynamic analysis difficult or even impossible.

In general, while characterizing the Global 1000 for 2003, one can formulate the following, fundamental conclusions relative to the methodology and the subject matter:

> The Global 1000 comprised a ranking of the 1000 biggest transnational corporations of the world, based on the corporate market value, and sorted according to the country of origin. It provided information about the role of the biggest firms in the entity structure of a country's economy and, due to the aggregated data provided, it presented an indication of the significance of a given country on the list of the world's strongest economies.

> A detailed analysis of the corporations was conducted on the basis of the following indicators: Global 1000 rank, market value, price per share, % change from previous year, price/book value ratio, P/E ratio, yield, sales, profits, assets, and return on equity.

> The 1000 biggest transnational corporations, as far as the capital value is concerned, came from 23 countries. Geographically, 488 companies were located in the U.S., 129 in Japan, 77 in Great Britain, 48 in France and 35 in Germany. 275 corporations were located in the remaining 18 countries. This data clearly indicates how dominant the corporations from the 5 countries are in the structure of the world economy and it fully proves the thesis on 'the rule of the Triad"("Macht der Triade"), formulated by K. Ohmae.

> The Global 1000 confirms the dominating role of the US in the world economy. The 488 largest U.S. corporations were valued at $9,421.381 million i.e., 56.5% of the total market value of all companies in the ranking. Moreover, the total value of the companies from the first five countries amounted to $13,700,000 million, i.e., 82.1% of the total value of the companies in the ranking.

> The highest valued corporations were U.S.-based and included: General Electric ($286.10 billion), Microsoft ($263.9), Exxon Mobil ($244.93), Pfizer ($244.89) and Wal-Mart Stores ($232.22). The top ten of companies with the biggest market value contained 8 American corporations and 2 European ones (UK and Netherlands: Royal Dutch/Shell Group – $155.48 and BP – $153.24 billion).
The report, presented periodically, is interesting in and of itself and was based on a detailed examination of primary data. Nevertheless, it does not provide information about the real degree of globalization in reference to the sectors of the world economy. What follows are the results of the data analysis from such point of view.

Table 1 presents the sector structure of the world economy in 2003, based on the analysis of the 1,000 largest corporations. The sector classification of the world economy was based on the Global Industry Classification Standard (GICS) that identifies 10 basic sectors. Therefore, it is an aggregate nature and does not allow for a deeper analysis in reference to "the type of business" and structure of a homogenous market field, which constitute the basic level of sector analysis and studies, as well as the measurement of the intensity of competition dynamics in the sector. However, it does have some cognitive value and allows the authors to formulate assessments of the degree of globalization of the world economy in regards to selected sectors. The major findings of the analysis are presented below.

The first, most significant sector of the world economy as far as the firms' accumulated value is concerned, was the Financials sector (S-40). Out of the 1,000 world's largest companies, 236 were banks and insurance institutions from 22 countries. In 2003, the total value of the firms in the Financials sector amounted to $3,948,994 million, which constitutes 23.7% of the total market value of all the Global 1000 firms. Moreover, this sector leads the ranking with regards to two other criteria, namely profit generated by the companies in their sector and value of their assets. The profit made by the biggest financial institutions on the Global 1000 in 2003 reached $ 94,784 million, i.e., 34.3% of the total profits earned by the 1000 world's biggest corporations. The financial sector's share of the accumulated value of assets of the 1000 companies was even larger at 70.6%. The total sales revenue of the financial institutions placed this sector in the third place; however, such assessment is not very precise. Many banks and other institutions that belong to the S-40 sector do not publish financial information regarding their revenue ('data not available' for 18 out of 242 firms in this sector), which makes it impossible to perform an accurate comparison. Despite the lack of data on sales revenue, all institutions of the financial sector submitted information about their financial results.

The biggest institutions of this sector, based on capitalized market value were: Citigroup (US$ 210,862 mil.), American International Group (US$ 150,097 mil.), HSBC Holdings (US$ 126,972 mil.), Bank of America (US$ 111,055 mil.) and Berkshire Hathaway (US$ 108,981 mil.).

The second group comprises the sectors with 'medium' accumulated market value. These include:

- The "Consumer/Discretionary (S-25)" sector had an accumulated market value of US$ 1,991,442 mil., which represented 11.94% of the total value of the Global 1000 firms. In this group, the most valuable corporations included: Toyota Motor (US$ 86,322 mil.), Viacom (US$ 80,183 mil.), Home Depot (US$ 75,564 mil.), AOL Time Warner (US$ 68,356 mil.) and Comcast (US$ 67,206 mil.).

- The "Healthcare (S-35)" sector had an accumulated market value in 2003 of US$ 1,965,605 mil., i.e., 11.78% of the total market value of the Global 1000 firms. This sector is internally more diversified than the others and comprises pharmaceutical companies, producers of medical equipment, etc. The most valuable firms in this sector were: Pfizer (US$ 244,886 mil.), Johnson & Johnson (US$ 161,359 mil.), Merck (US$ 124,808 mil.), GlaxoSmithKline (US$ 118,953 mil.) and Novartis (US$ 113,087 mil.).
<table>
<thead>
<tr>
<th>Sector of the world economy</th>
<th>Number of the Global 1000 corporations in the sector</th>
<th>Number of countries represented</th>
<th>Market value of the sector companies</th>
<th>Sales of the sector companies</th>
<th>Profits of the sector companies</th>
<th>Assets of the sector companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. S-10: Energy</td>
<td>49</td>
<td>11</td>
<td>1,200,925</td>
<td>1,418,121</td>
<td>62,203</td>
<td>1,415,827</td>
</tr>
<tr>
<td>2. S-15: Materials</td>
<td>59</td>
<td>13</td>
<td>526,210</td>
<td>642,005</td>
<td>23,387</td>
<td>884,928</td>
</tr>
<tr>
<td>3. S-20: Industrials</td>
<td>115</td>
<td>16</td>
<td>1,399,477</td>
<td>1,225,600</td>
<td>64,301</td>
<td>2,202,062</td>
</tr>
<tr>
<td>5. S-30: Consumer Staples</td>
<td>82</td>
<td>13</td>
<td>1,739,548</td>
<td>1,257,355</td>
<td>81,243</td>
<td>1,902,655</td>
</tr>
<tr>
<td>6. S-35: Health care</td>
<td>82</td>
<td>9</td>
<td>1,965,605</td>
<td>711,380</td>
<td>79,071</td>
<td>882,645</td>
</tr>
<tr>
<td>7. S-40: Financials</td>
<td>236</td>
<td>22</td>
<td>3,948,994</td>
<td>2,888,170</td>
<td>184,784</td>
<td>39,826,199</td>
</tr>
<tr>
<td>8. S-45: Information technology</td>
<td>108</td>
<td>9</td>
<td>1,905,616</td>
<td>592,737</td>
<td>-15,716</td>
<td>858,063</td>
</tr>
<tr>
<td>9. S-50: Telecommunications Services</td>
<td>45</td>
<td>19</td>
<td>1,280,077</td>
<td>744,619</td>
<td>-17,364</td>
<td>1,756,983</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 1. Sector structure of the world economy based on the analysis of the Global 1000 in 2003 (in US$ mil.).

> "Information technology (S-45)". The accumulated market value of this sector reached US$ 1,905,616 mil., i.e., 11.42% of the value of the firms in the ranking. The top five firms of the IT sector included: Microsoft (US$ 263,990 mil.), IBM (US$ 148,795 mil.), Intel (US$ 136,038 mil.), Cisco Systems (US$ 115,165 mil.) and Nokia (US$ 86,086 mil.).

> "Production and distribution of food, tobacco, beverages, household and personal products (S-30)". The total market value of companies in this sector amounted to US$ 1,739,548 mil., i.e., 10.42% of the total value of the Global 1000 companies. The top of the list was occupied by: Wal-Mart Stores (US$ 232,219 mil.), Procter & Gam-
ble (US$ 118,879 mil.), Coca – Cola (US$ 112,973 mil.), Altria Group (US$ 85,434 mil.) and Nestle (US$ 82,997 mil.).

> The "Industrials (S–20)" sector had an accumulated market value that reached US$ 1,599,477 mil., i.e., 8.38% of the total market value of the Global 1000 companies. The biggest companies in this sector were: General Electric (US$ 286,098 mil.), United Parcel Service (US$ 69,922 mil.), 3M (US$ 49,429 mil.), Siemens (US$ 42,203 mil.) and Tyco International (US$ 35,343 mil.).

> The "Telecommunications services S–50" sector had an accumulated market value of US$ 1,289,077 mil., i.e. 7.76%, of the total market value of the Global 1000 companies. The most valuable companies in this sector were: Vodafone Group (US$ 147,992 mil.), NTT DoCoMo (US$ 105,306 mil.), Verizon Communications (US$ 103,549 mil.), SBC Communications (US$ 84,532 mil.) and Deutsche Telekom (US$ 62,850 mil.).

> The "Energy S–10" had an accumulated market value of US$ 1,200,925 mil., i.e. 7.19% of the total market value of the Global 1000 companies. Of the largest from the market value point of view were: Exxon Mobil (US$ 244,932 mil.), BP (US$ 153,240 mil.), Total (US$ 103,779 mil.), Royal Dutch Petroleum (US$ 94,911 mil.), ChevronTexaco (US$ 75,788 mil.) and ENI (US$ 64,576 mil.).

Companies in the following two sectors had the smallest accumulative market value.


> The "Utilities S–55)" sector had an accumulated market value of US$ 659,152 mil. which represented 3.95% of the total market value of the Global 1000 firms. The richest companies in the sector were: Enel (US$ 42,216 mil.), E.ON (US$ 35,640 mil.), Tokyo Electric Power (US$ 27,316 mil.), Southern Co. (US$ 22,460 mil.) and National Grid Transco (US$ 20,040 mil.).

The sectoral analysis clearly shows the occurrence and consequences of globalization of the economy. Apart from a continuous increase of the market value and the increase in sales by the Global 1000 companies, a strong concentration of size and differentiation of companies within a sector is obvious. In this respect, the following assessment draws on the Pareto’s principle, i.e., identification of the nature/type of feature distribution for 20% of the biggest corporations (according to their market value) within each sector. The data obtained is presented in Table 2. It confirms the proposition that the degree of concentration within the sectors is significant. The sectors can be divided into three groups according to the degree of the concentration:

a) – in the S–25 sector, the 20% group of the biggest companies reported a loss of – US$ 11,042 mil.
b) Approximate value since it considers the total sum of sales revenue of only 12 institutions from the group of the biggest organizations in this sector which posted appropriate data on sales.
c) – in the S–45 sector a 20% group of the biggest companies posted positive financial results (US$ 2,225 mil.), but the whole sector posted a loss of –US$ 15,716 mil.
<table>
<thead>
<tr>
<th>Sector of the world economy</th>
<th>Number of the 20% group of companies with biggest value</th>
<th>Share of the 20% group of companies in (%):</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Market value of the sector firms</td>
<td>Net sales value of the sector</td>
</tr>
<tr>
<td>1. S-10: Energy</td>
<td>18</td>
<td>72.7</td>
</tr>
<tr>
<td>2. S-15: Minerals</td>
<td>12</td>
<td>40.4</td>
</tr>
<tr>
<td>3. S-20: Industrials</td>
<td>25</td>
<td>58.1</td>
</tr>
<tr>
<td>4. S-25: Consumer/ Discretionary</td>
<td>32</td>
<td>32.4</td>
</tr>
<tr>
<td>S-30: Consumer Staples</td>
<td>18</td>
<td>62.3</td>
</tr>
<tr>
<td>6. S-35: Health care</td>
<td>16</td>
<td>58.3</td>
</tr>
<tr>
<td>7. S-40: Financial institutions</td>
<td>48</td>
<td>35.8</td>
</tr>
<tr>
<td>8. S-45: IT sector</td>
<td>22</td>
<td>69.1</td>
</tr>
<tr>
<td>9. S-50: Telecommunications services</td>
<td>9</td>
<td>57.4</td>
</tr>
<tr>
<td>10. S-55: Utilities</td>
<td>12</td>
<td>40.9</td>
</tr>
<tr>
<td>Total 5000 firms</td>
<td>280</td>
<td>39.4</td>
</tr>
</tbody>
</table>

\[d)\] both the 20% group of firms and the whole S-50 sector posted losses (\(-\) US$ 6,952 and \(-\) US$ 17,364 mil., respectively.)
\[e)\] Approximate data – see note in b).

Source: see Table 1.

The first one is characterized by a 20:70 ratio, which means that the group of 20% of corporations represents approximately 70% of the market value of all the firms in the sector appearing on the Global 1000. This situation is visible in the sectors: "Energy" (S-10) - 73.7% and "Information Technology" (S-45) - 68.1%.

The second group of sectors can be described by a ratio of 20:60. It consists of sectors: "Production and distribution of food, tobacco, beverages, household and personal products" (S-30) - 62.3%, "Financial institutions" (S-40) - 59.8%, "Health care" (S-35) - 58.3%, "Industrials" (S-20) - 58.1%, "Telecommunications services" (S-50) - 57.4% and "Consumer/ Discretionary" (S-25) - 53.7%.

The third group includes the sectors in which the ratio in question equals 20:50, namely sectors: "Materials" (S-15) - 46.4% and "Utilities" (S-55) - 40.9%.

For the majority of the transnational corporations listed in the Global 1000, the degree of concentration can be described with a 20:60 ratio. This means that the 20% most valuable world companies represent 59.4% of the accumulated market value, 46.0% of
sales, 64.8% of financial results, and 55.5% of the asset value of the 1000 firms covered by the Global 1000 ranking.

Conclusion

Summing up the above reflections one can conclude that the results of the analysis are significant. By presenting the degree of concentration in the sectors, these results dramatically depict the shape of the world economy, the globalization processes, and the processes of market competition on the global level. The Global 1000 ranking proves the real role of the 1000 biggest corporations in the world economy. The total value of sales revenue of these companies constituted approximately 32% of the gross world product, and within this group, more than 50% of sales were realized by the 20% of corporations with the biggest capacity. This is the real scale of globalization of the modern world economy and this is the position held by the 200 biggest transnational corporations. This scale is summarized by an apt, if somewhat simplified, remark by the Corporate Europe Observatory that the modern world, in particular, separate sectors of its economic system, are becoming “one concern” to a larger and larger degree (“Die Welt – ein einziger Konzern”[Balanyá 2001]). The results presented can, at least partially, contribute towards verifying G.S. Yip’s proposition, specifically, that the nature of globalization is not so much expressed in the answer to the question whether markets and sectors are global, but mainly what is the real degree of globalization of a particular sector and what influence it exerts on the strategies of companies functioning in “the international and global class.”

Reference List

Global 1000, BusinessWeek 2000, 10: 21–47.
Grupa Lizbońska, Granice konkurencji. 1996. Warszawa: Półtxt. 50
1. This question constitutes the main area of consideration of the principal work on the forms of corporate presence in international and global markets, i.e., a monograph by G.S. Yip (Yip 2004).

2. Globalization issues constitute a substantial and growing area of interest for the fields of economics and management. For the nature of globalization refer to, among others: (Krystek 2002) and (Stonehouse 2002).


4. (Grupa Lizbońska 1996, 48) The work contains a deep analysis of the basic competition mechanisms from the perspective of the global market.

5. For a broader and more detailed consideration of the conditions and consequences of globalization see: (Globalizacja 2002), (Zorska 2002), (Marketing globalny i jego strategie 2002).

6. V. Cibaková, C. Bartáková refer to this thesis in (Marketing management 2003, 5–24), while analyzing trends in the development of marketing management in corporations in a new market environment marked by globalization processes.

7. This term refers to a subtitle of (Koźmiński 1999).

8. Yip, Strategia..., op. cit., p. 28.


10. This issue is presented in, among other, (Korporacje międzynarodowe w Polsce 2002).


13. A broad selection of internationalization indicators can be found in (Hinerberg 1994: 30–32).

