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## **Global Business Footprints**

### **A Compilation of Michigan's Largest Companies**

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## **Abstract**

Due to the growing demand of international business, companies are increasing business transactions that occur outside the United States, as well as between the US and other countries. Using the Fortune 500 as a selection tool, Michigan based companies were compared in four aspects to determine each of the corporations' global footprint. Companies were contrasted using the following factors: revenue, numbers of employees, number of locations, and number of countries companies have a presence within. Each factor was divided between the United States and the rest of the world to evaluate the percent of foreign versus domestic activities. In addition, companies were evaluated on sustainability by analyzing participation in a common sustainability program known as the Global Reporting Initiative (GRI). Research will determine whether or not there is a direct relationship, indirect relationship, or no relationship between international presence and success (revenue). The study also seeks to determine the relationship between concern for sustainability and success (revenue). Participants include the 20 companies based within Michigan who earned a spot on the 2012 Fortune 500 list: General Motors, Ford Motor, Dow Chemical, Whirlpool Corporation, TRW Automotive Holdings, Lear Corporation, Ally Financial, Kellogg, Penske Automotive Group, DTE Energy, Stryker Corporation, Autoliv, Visteon, Masco, Borg Warner, Consumers Energy, Auto-Owners Insurance, Kelly Services, Con-way, and Meritor. Each company was analyzed in order to obtain data pertaining to the factors listed above. At the conclusion of the study, it was determined that both international presence and concern for sustainability have a direct relationship with a company's overall success in terms of revenue.

## **Introduction**

"International business is the study of transactions taking place across national borders for the purpose of satisfying the needs of individuals and organizations" (McGee & Blackwell Publishing, 2006). With the help of technology, among many other factors, the world has become flatter and more and more businesses are highly considering the option of expanding internationally. However, in today's society, international business has transformed into a necessity instead of just an option.

While international business provides numerous potential benefits, risks and threats of failure also increase. International business introduces new currencies into the equation, thus exposing the company to the threat of foreign exchange risk. For example, if the foreign currency depreciates against the domestic currency, the profits made within the foreign country will be reduced once switched to the domestic currency. This risk is essentially unavoidable considering the unpredictable manner of exchange rates. There is a slight chance that exchange rates can actually work in a company's favor, however companies should not expect this atypical experience to occur frequently. An additional hazard is foreign governments. Alterations in policies can have a dramatic impact on foreign companies. The addition of a trade barrier could potentially

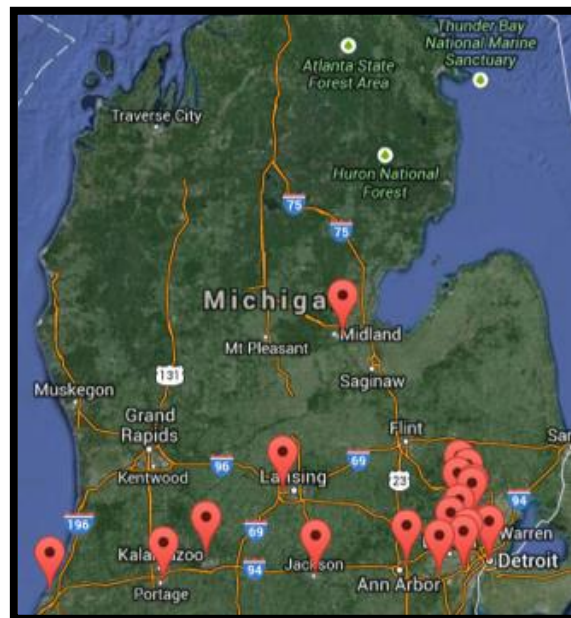
constrain, or even completely halt, international trade. Another danger is the implementation of taxes or tariffs that must be paid to the government in order to export items into their country. In recent times, countries have made great strides in reducing the number of trade barriers through free trade agreements (FTA) as well as other related actions. In general, companies doing business transactions abroad are subject to less control in revenues. The combination of uneven and volatile inflows of revenue can create confusion and make it very difficult to plan future business maneuvers (Sargean, 2009).



Figure 1. Logo of each company involved in study

greater numbers of highly educated professionals, skilled workers, and unskilled workers. In some situations, well-branded companies are able to make more profits internationally due to customer's desires for higher quality products. In addition, international expansion aids a company in becoming more efficient. For example, as output is increased, companies typically are able to reduce variable costs. This capability allows the company to boost their margins while offsetting export costs with diminished production costs. All of this is done while keeping prices more competitive in their home country. Another benefit of international expansion is the knowledge that is gained from the exposure of different cultures. The understanding gained through these experiences will provide new insights about current domestic offerings and can even lead to original and innovative ideas for new products (Johnson, 2012). International business is quickly becoming a standard operating procedure for all but the smallest of ventures. In short, many advocates of international business claim that if a business is to remain competitive, it must expand internationally. If it doesn't, competition most certainly will.

The present study seeks to examine to what degree international business contributes to the success of large Michigan headquartered companies. Is there a relationship between higher placement on the Fortune 500 list (higher gross revenues) and the amount of business that takes place internationally? Additionally, this study investigates the sustainability of each Michigan headquartered company on the Fortune 500 to determine whether or not factors such as concern for sustainability serves as a factor in a company's success. The remainder of this paper is organized into four sections: methodology, results, comparative insights, and the conclusion. There is a fifth section that provides additional tables of data and numbers.



**Figure 2. Locations of companies in study**

## **Methodology**

To begin the study, an inventory of Michigan headquartered companies listed on the Fortune 500 was obtained (Figures 1 and 2). Since its creation in 1955, the Fortune 500 has become a familiar measurement for the largest businesses. Firms across the US work to be recognized within the list of highly successful companies.

The Fortune 500 is a list, compiled and published by *Fortune* magazine. This annual list ranks the top 500 U.S. public and closely held public companies and corporations as ranked by their gross revenue (EconomyWatch, 2013). The list includes publicly and privately held companies who allow revenues to be viewed by the public. Making the list is an accomplishment and serves as an advertisement for a company's success. In 2012, 20 out of the 500 companies listed in the Fortune 500 were headquartered in Michigan. General Motors, Ford Motor, and Dow Chemical appeared at the top of the

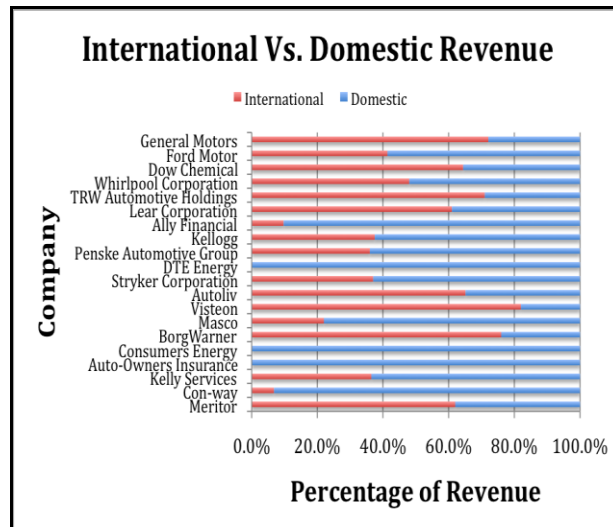
listed, joining 47 other companies in the prestigious Fortune 50. The remaining Michigan companies fall lower on the list of the Fortune 500. These businesses include Whirlpool Corporation, TRW Automotive Holdings, Lear Corporation, Ally Financial, Kellogg, Penske Automotive Group, DTE Energy, Stryker Corporation, Autoliv, Visteon, Masco, Borg Warner, Consumers Energy, Auto-Owners Insurance, Kelly Services, Conway, and Meritor (CNN Money, 2012). These companies represent a large array of fields in both the service and manufacturing sectors.

After selecting these 20 companies, data was collected on each company's revenue, number of employees, number of locations, and number of countries business transactions occur within. Each of these figures was then divided between domestic and foreign.

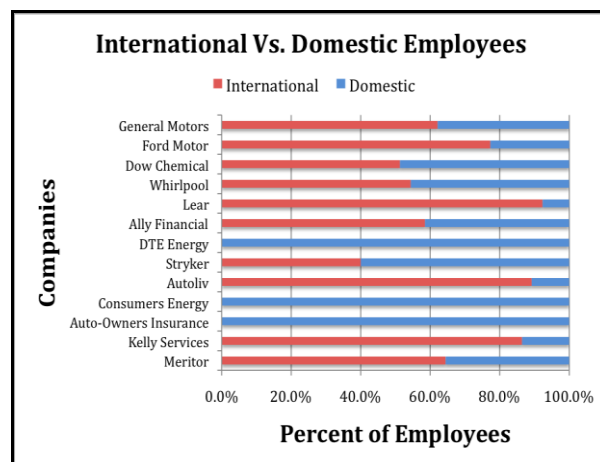
Data pertaining to sustainability was also collected. Due to the lack of reporting on resource usage, the study gauges concern for sustainability by attempting to measure the effort put into sustainability programs. For this particular study, companies were researched to determine whether or not they were registered with the Global Reporting Initiative (GRI). The GRI is a highly recognized international sustainability organization. The non-profit organization established a Sustainability Reporting Framework that entails every aspect of sustainability one can image. Today, this framework is being utilized in every corner of the globe. Each participating organization must create a sustainability report that highlights economic, environmental, and social impact caused by the organization's everyday actions. This report also demonstrates the organization's values and governance model, and illustrates the connection between its strategy and its commitment to a sustainable global economy. The goal of GRI is to make sustainability reporting standards for all companies and organizations around the world.

The framework consists of Reporting Guidelines, Sector Guidance, and other resources. This reporting system offers methods and metrics for measuring and reporting sustainability-related performance. This allows for greater organizations transparency and accountability, which can build stakeholders trust in organizations (Global Reporting Initiative).

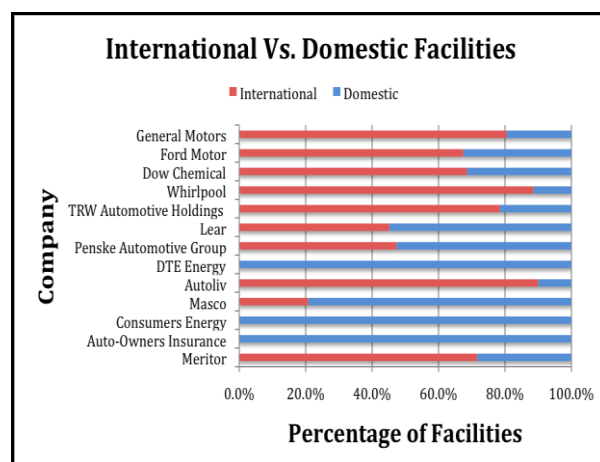
All of the data within the study was collect by searching company websites and annual reports from 2012. The year 2012 was selected because it was the most recent year in which a substantial amount of data was available. Unfortunately, some information was not provided by companies, or was not available to the public. Therefore, certain companies will be omitted from specific comparisons.



**Figure 3**



**Figure 4**



**Figure 5**

## Results

The major research questions of this article were to what degree international business and concern for sustainability contribute to the success (higher revenue) of a company. From the data collected during the study, it can be assumed that the more a company expands internationally, and the more participation and concern in sustainability, the more successful they are in terms of revenue.

### Descriptive Statistics

In order to better understand the assumptions put forth by this article, each of the four categories were analyzed.

To begin, revenue was examined. Revenue is considered to be one of the numbers that symbolizes the heart of a fundamental analysis for a company's worth. Data pertaining to companies' revenues can be seen in Figure 4. The graph shows that the six higher-ranking companies (all within the top 200 companies of the entire Fortune 500) have international revenues that are roughly half of revenue or more. Some companies such as Autoliv, Visteon, BorgWarner, and Meritor also do the majority of their business internationally. If these four outliers are ignored, the remaining 10 companies have revenues that are less than 40% International affairs. Table 1 found in the additional data section on page 6 provides more numbers for comparisons.

International versus domestic employees closely relates to revenue. The companies with a higher international percentage of revenue tend to have a higher number of employees located outside of the US. Kelly Services is a big outlier in that it has one of the higher percentages of foreign employees compared to international revenue, however the company is a temp agency and might possible be arbitraging wages across countries. Table 2 found in the additional data section on page 6 provides more numbers for comparisons.

Facilities pertain to the locations of each company. According to Figure 5 on the previous page, the reoccurring pattern continues. Companies towards the top of the Fortune 500 list tend to have more facilities international. Autoliv and Meritor also have many facilities internationally. Table 3 found in the additional data section on page 7 provides more numbers for comparisons.

Between the 20 companies that were selected for this study, 7 were service based and 13 were manufacturing based. In terms of the service companies, only four are international. The other three are only do business within the United States. Figure 6 shows the number of countries each of the service companies has a presence within. This particular figure shows that Kelly Servies and Con-way, two of the lower ranked

companies have a larger presence than the other service companies. This shows and opposite tendency than what revenue, employees, and facilities show.

Company Name	Number of Countries
Ally Financial	15
Penske Automotive Group	5
DTE Energy	1
Consumers Energy	1
Auto-Owners Insurance	1
Kelly Services	41
Con-way	20

**Figure 6**

According to data from Figure 7, manufacturing based companies tend to earn higher revenues when manufacturing in more countries. Manufacturing companies that sell within various countries include some of the higher placed companies such as General Motors, Dow Chemical and Whirlpool, however there is not enough evidence to assume a relationship between success and number of countries sold in.

Company Name	Manufacture	Sell
General Motors	37	157
Ford Motor	23	48
Dow Chemical	36	160
Whirlpool	12	170
TRW Automotive Holdings	26	31
Lear	36	36
Kellogg	35	180
Stryker	29	100
Visteon	22	25
BorgWarner	20	20
Meritor	15	20

**Figure 7**

The final part of the study focused on sustainability. Due to the lack of information pertaining to specific resource usage, companies were ranked based on whether or not they were registered with the GRI. Figure 8 shows which companies are GRI certified.



Company Name	GRI Certified	Water Usage (Million Cubic Meters)
General Motors	YES	X
Ford Motor	YES	25,800,000
Dow Chemical	YES	2,770,000,000
Whirlpool	YES	6,355,684
TRW Automotive Holdings	NO	X
Lear	NO	X
Ally Financial	NO	X
Kellogg	YES	12,820,000
Penske Automotive Group	NO	X
DTE Energy	NO	98,000,000
Stryker	NO	X
Autoliv	NO	X
Visteon	YES	50,000
Masco	YES	X
Borg Warner	NO	X
Consumers Energy	YES	X
Auto-Owners Insurance	NO	X
Kelly Services	NO	X
Con-way	NO	X
Meritor	NO	X

**Figure 8**

Since the top four highest ranked Michigan headquartered companies on the Fortune 500 are GRI certified, it can be assumed that the more involved a company is in sustainability, the more likely they are to earn a higher revenue. Companies that are GRI certified are also more likely to show actual numerical data for factors such as water and energy usage. In general, companies that set sustainability goals, had extensive sustainability reports, and were more active in sustainability programs are ranked higher.

## Conclusion

This study has attempted to measure the importance of an international presence on a company's success. After considering all five sections of this study, (revenue, numbers of employees, number of locations, number of countries companies have a presence within, and commitment to sustainability) it can be concluded that there is a direct relationship between both international business presence and commitment to sustainability with success.

While reading this study, the reader should keep in mind that data has been pulled from many websites and sources, leading to potential error. Many companies did not provide certain data points and therefore were removed from graphs and comparisons for that specific factor.

This study serves the purpose of portraying the importance of international business within the business world. Though there are risks to going global, there are various benefits that only international business can provide. According to the data collected during this study, evidence suggests that companies are able to gain higher revenues when expanding internationally properly.

## Additional Graphs

Rank	Company Name	Revenue (\$m)	US (\$m)	Percent US	International (\$m)	Percent International
5	General Motors	150,276	41,927.004	27.9%	108,348.996	72.1%
9	Ford Motor	136,264	79,900	58.6%	56,364	41.4%
47	Dow Chemical	59,985	21,345.0	35.6%	38,640.0	64.4%
147	Whirlpool Corporation	18,666	9,706.32	52%	8,959.68	48%
161	TRW Automotive Holdings	16,244	4,710.76	29%	11,533.24	71%
189	Lear Corporation	14,156.5	5,521.035	39%	8,635.465	61%
201	Ally Financial	13,642	12,313.27	90.3%	1,328.73	9.7%
205	Kellogg	13,198	8,250.49	62.5%	4,947.51	37.5%
222	Penske Automotive Group	11,869.5	7,596.48	64%	4,273.02	36%
287	DTE Energy	8,897	8,897	100%	X	X
308	Stryker Corporation	8,307	5,232.41	63%	3,073.59	37%
313	Autoliv	8,232.4	2,870	34.9%	5,362.4	65.1%
321	Visteon	8,047	1,448.46	18%	6,598.54	82%
338	Masco	7,560	5,896.8	78%	1,663.2	22%
355	BorgWarner	7,114.7	1,707.528	24%	5,407.172	76%
380	Consumers Energy	6,503	6,503	100%	X	X
429	Auto-Owners Insurance	5,709.5	5,709.50	100%	X	X
441	Kelly Services	5,450.5	3,464.2	63.6%	1,986.3	36.4%
459	Con-way	5,580.2	5,200	93.2%	380.2	6.8%
481	Meritor	4,990	1,896.2	38%	3,093.8	62%

**Table 1: Foreign and domestic revenue totals and the percentage of revenue that is either domestic or foreign.**

Rank	Company Name	Employees Worldwide	US Employees	Percent US	International Employees	Percent International
5	General Motors	213,000	80,645	37.9%	132,355	62.1%
9	Ford Motor	171,000	43,073	25.2%	132,201	77.3%
47	Dow Chemical	53,380	26,000	48.7%	27,380	51.3%
147	Whirlpool	68,000	31,000	45.6%	37,000	54.4%
189	Lear	113,400	8,700	7.7%	104,700	92.3%
201	Ally Financial	10,600	4,400	41.5%	6,200	58.5%
287	DTE Energy	9,900	9,900	100%	X	X
308	Stryker	22,010	13,206	60%	8,804	40%
313	Autoliv	46,300	5,002	10.8%	41,298	89.2%
380	Consumers Energy	7,514	7,514	100%	X	X
429	Auto-Owners Insurance	4,043	4,043	100%	X	X
441	Kelly Services	8,100	1,100	13.6%	7,000	86.4%
481	Meritor	9,300	3,307	35.6%	5,993	64.4%

**Table 2: Employee count and the percentage of employees that are either domestic or foreign**

Rank	Company Name	Facilities	US	Percent US	International	Percent International
5	General Motors	396	77	19.4%	319	80.6%
9	Ford Motor	77	25	32.5%	52	67.5%
47	Dow Chemical	188	59	31.4%	129	68.6%
147	Whirlpool	70	8	11.4%	62	88.6%
161	TRW Automotive Holdings	200	43	21.5%	157	78.5%
189	Lear	221	121	54.8%	100	45.2%
222	Penske Automotive Group	327	172	52.6%	155	47.4%
287	DTE Energy	39	39	100%	X	X
313	Autoliv	80	8	10%	72	90%
338	Masco	96	76	79.2%	20	20.8%
380	Consumers Energy	25	25	100%	X	X
429	Auto-Owners Insurance	93	93	100%	X	X
481	Meritor	67	19	28.4%	48	71.6%

**Table 3: Facilities count and the percent of facilities that are either domestic or foreign**

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