

Correction activité : The Modern Corporation

Apple

Question 1: Electronic products, such as computers or smartphones.

Question 2: Tim Cook.

Question 3: No, he is a marginal shareholder. He owns a very small part of the company (0.05%).

Question 4: Yes, he is an employee. He has been hired by Apple in 1998, and became its CEO in 2011, when Steve Jobs (the founder of the company) resigned, because of his medical condition. But he is extremely well paid. He got a total remuneration of 74 millions \$ in 2013: 4 millions as a salary, the rest as shares given to him for free.

Question 5: The owners are shareholders. The principal shareholder is *The Vanguard Group*, which is a financial company which invests in companies by buying their shares.

Microsoft

Question 1: Softwares, such as the famous Windows, and electronic products such as the Xbox..

Question 2: Satya Nadella. He joined Microsoft in 1992, and became CEO in 2014.

Question 3: No, not at all.

Question 4: Yes, he is an employee. He joined Microsoft in 1992, and became CEO in 2014.

Question 5: The owners are shareholders. The principal shareholder is again *The Vanguard Group*.

WalMart

Question 1: It is, by far, the largest retail stores company in the world.

Question 2: Doug McMillon

Question 3: Not at all. He is an employee.

Question 4: He has been hired by Walmart at a low-level position in 1990. He became its CEO in 2013.

Question 5: The principal shareholder is again *The Vanguard Group*.

ExxonMobil

Question 1: It is the largest oil and gas company in the world. It extracts, refines and sells oil and gas.

Question 2: Rex W. Tillerson.

Question 3: No, he is a marginal shareholder. He is mostly an employee, but a very well paid one (he's earned 40 millions \$ in 2012).

Question 4: He has been hired by Exxon as an engineer in 1975. He became its CEO in 2006.

Question 5: The principal shareholder is again *The Vanguard Group*.

Extra question: What is a board of directors?

The **board of directors** is a group of people (generally less than 20) which is appointed by shareholders to oversee the company. The board hires and controls the CEO. It defines with the CEO the main strategies of the company.

Summary

The boss of a company does not always own it (or even a part of it). Sometimes the boss owns the company he runs, like Bill Gates used to do when he was the CEO of Microsoft. But, in large companies, the CEO is most of the time only an employee of the company. He has been hired by its owners, and he can be fired. As all employees, he works for a salary. The only difference is that his salary is extremely large (millions of dollars each year), and that the company usually gives him some shares for free as a kind of bonus (these shares are known as "stock options").

The owners of the company are called shareholders. Indeed, they own shares of the company, that is a part of it. The shareholders elect the board of directors. The purpose of the board is to supervise the CEO, in order to defend the shareholders' interests. The board hires him, and dismiss him if the

company does not generate enough profits for the shareholders (for instance because the CEO has mismanaged the company).