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M13 – GLOBAL BUSINESS ENVIRONMENT

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Abstract

Globalisation has transformed the way organisations compete, operate and expand internationally. Advances in technology, trade liberalisation, economic integration and changing consumer behaviour have enabled organisations to access customers and resources beyond their domestic markets. However, international expansion also creates significant challenges, including cultural differences, political risks, regulatory requirements, economic uncertainty and increased competition.

This report critically analyses the influence of globalisation on international business strategy, competitiveness and organisational operations, using McDonald's Corporation as a major real-world example. McDonald's provides an appropriate case because it has developed a globally recognisable brand while adapting products, marketing and operations to local markets. The report examines the major drivers of globalisation and evaluates international market-entry strategies, including exporting, franchising, joint ventures, strategic alliances and foreign direct investment. Relevant internationalisation theories, including the Uppsala Internationalisation Model, Transaction Cost Theory, Institutional Theory, Resource-Based View and Dunning's Eclectic Paradigm, are applied to explain international expansion decisions.

The analysis demonstrates that successful globalisation requires organisations to balance global integration with local responsiveness. Standardisation can generate

economies of scale and brand consistency, while adaptation enables companies to respond to cultural preferences and local market conditions. The report concludes with strategic recommendations for multinational organisations seeking sustainable international growth.

1. Introduction

Globalisation is one of the most significant developments influencing contemporary business. It has increased the interconnectedness of economies, organisations, consumers and markets across national boundaries. Businesses are no longer restricted to competing within their domestic markets. Technological development, international trade, digital communication and economic integration have enabled organisations to operate across national boundaries.

The M13 assignment requires an analysis of how globalisation influences business operations, competitiveness and international expansion strategies. It also requires examination of globalisation drivers, market-entry strategies, internationalisation approaches and the challenges associated with international expansion.

For multinational organisations, globalisation provides substantial opportunities. Companies can access larger customer markets, international talent, cheaper or specialised resources and new sources of revenue. However, global expansion also exposes firms to political, economic, cultural and regulatory risks. Consequently, international business strategy must consider both global opportunities and

country-specific conditions.

This report focuses on McDonald's Corporation as a case study. McDonald's is particularly suitable because its international strategy demonstrates the relationship between global standardisation and local adaptation. Its core brand identity remains globally recognisable, while products, marketing and operational practices can be adjusted to local consumer preferences.

The objectives of this report are to explain globalisation and its influence on modern business; analyse the major drivers of globalisation; examine international market-entry strategies; evaluate different internationalisation approaches; analyse the challenges associated with global expansion; apply international business theories to McDonald's; and provide strategic recommendations for future international expansion.

2. Literature Review

2.1 Concept of Globalisation

Globalisation refers to the increasing integration and interconnectedness of economies, markets, organisations and societies across national boundaries. In business, globalisation allows firms to produce, market, distribute and sell products and services across different countries.

Globalisation has reduced some traditional barriers to international business. Digital technologies enable companies to communicate with customers and partners almost instantly, while international logistics allow products to move between countries efficiently.

However, globalisation does not mean that markets have become completely identical. Differences in culture, consumer behaviour, income levels, political systems and regulations continue to influence business decisions. Therefore, multinational companies must determine which activities should be globally standardised and which should be adapted to individual markets.

2.2 Drivers of Globalisation

Technology

Technology is one of the most important drivers of globalisation. The internet, mobile applications, artificial intelligence, cloud computing and digital payment systems have significantly reduced the cost and time associated with international communication.

For businesses, digital technology provides opportunities to reach customers in foreign markets without establishing a traditional physical presence. McDonald's, for example, has increasingly incorporated digital ordering, mobile applications, delivery platforms and data-driven marketing into its operations. These

technologies support both global brand consistency and local customer engagement.

Trade Liberalisation

Trade liberalisation involves reducing restrictions on international trade, including tariffs, quotas and other barriers. Lower trade barriers can encourage businesses to expand internationally because importing, exporting and cross-border investment become easier. Trade liberalisation also increases competition because domestic firms face greater pressure from international competitors.

Economic Integration

Economic integration occurs when countries develop closer economic relationships through trade agreements, regional markets and other institutional arrangements. Integration can provide multinational organisations with access to larger markets and more predictable trading conditions.

Changing Consumer Behaviour

Consumer behaviour has also contributed to globalisation. Consumers increasingly have access to international brands through travel, social media, digital platforms and global advertising. International brands can therefore create demand across different markets. However, consumers still retain strong local preferences, meaning multinational organisations must understand cultural differences.

3. Methodology

This report uses a secondary research methodology based on academic literature, business research and publicly available organisational information. A qualitative case-study approach is used to examine McDonald's internationalisation strategy. The company is analysed using established international-business frameworks and theories.

The theoretical perspectives include the Uppsala Internationalisation Model, Transaction Cost Theory, Institutional Theory, Resource-Based View, Dunning's Eclectic Paradigm and the Integration–Responsiveness Framework.

4. Findings and Analysis

4.1 McDonald's as a Global Organisation

McDonald's has developed from a US-based restaurant business into one of the world's best-known international food-service brands. Its competitive advantage is based on several resources, including strong global brand recognition, standardised operating procedures, an extensive franchise network, supply-chain capabilities, marketing expertise, digital ordering and delivery, and economies of scale.

The company demonstrates an important characteristic of successful multinational organisations: it combines global consistency with local adaptation. Its basic business model and brand identity remain recognisable internationally, while menu offerings can be modified according to local consumer preferences.

5. International Market-Entry Strategies

International businesses can select from several market-entry strategies. The appropriate strategy depends on factors such as risk, investment, control, resources and market conditions. International entry modes can range from lower-commitment approaches such as exporting and licensing to higher-commitment approaches such as joint ventures, wholly owned subsidiaries and foreign direct investment.

5.1 Exporting

Exporting involves producing goods or services in one country and selling them in another.

Advantages include relatively low investment, lower financial risk, the opportunity to test foreign markets and easier withdrawal. Disadvantages include transportation costs, tariffs, limited control over distribution and possible cultural mismatch.

Exporting is particularly appropriate for manufacturing organisations whose products can be transported efficiently.

5.2 Licensing

Licensing occurs when an organisation allows a foreign company to use its intellectual property, technology, brand or production methods in exchange for payment. Advantages include low investment, rapid international expansion, local partner knowledge and lower operational risk. Disadvantages include reduced

control, risk of intellectual-property leakage, dependence on the licensee and potential quality-control problems.

5.3 Franchising

Franchising is highly relevant to McDonald's. Under franchising, an independent operator receives permission to use the franchisor's brand, business model and operating system.

For McDonald's, franchising provides the opportunity to expand internationally without financing every restaurant directly. Advantages include faster expansion, lower capital requirements, local franchisee knowledge, shared operational risk and strong scalability. Disadvantages include reduced direct control, potential quality differences, conflicts between franchisor and franchisee and reputation risk.

5.4 Joint Ventures

A joint venture occurs when two or more organisations establish a jointly owned business. Joint ventures can be useful where local knowledge is important or where government regulations make local partnerships advantageous.

Advantages include local knowledge, shared investment, shared risk and access to local networks. Disadvantages include possible management conflicts, shared decision-making, profit sharing and different organisational cultures.

5.5 Strategic Alliances

Strategic alliances involve cooperation between independent organisations without necessarily creating a separate jointly owned company. Businesses may form alliances for technology, distribution, marketing, research and development or supply-chain management.

Digitalisation has also created newer internationalisation approaches, including virtual presence and managed ecosystems, which complement traditional entry modes.

5.6 Wholly Owned Subsidiaries

A wholly owned subsidiary gives the parent company complete ownership and control over a foreign operation. Advantages include high control, protection of intellectual property, consistent quality and greater strategic control. Disadvantages include high investment, high risk, exposure to political and economic changes and greater management responsibility.

5.7 Foreign Direct Investment

Foreign Direct Investment (FDI) involves investing directly in business activities in another country. FDI can take the form of establishing new facilities or acquiring existing businesses. It provides strong control and a long-term presence but requires substantial financial and managerial resources.

6. Application of Internationalisation Theories

6.1 Uppsala Internationalisation Model

The Uppsala model suggests that firms often internationalise gradually as they acquire knowledge and experience. The basic logic is that organisations initially enter markets where uncertainty is relatively manageable and then increase their international commitment as knowledge grows.

This approach is useful because international expansion involves uncertainty regarding customers, competitors, institutions and culture. For a multinational company, gradual expansion can reduce risk and allow management to learn from previous international experiences.

6.2 Transaction Cost Theory

Transaction Cost Theory argues that organisations choose governance structures partly to minimise the costs associated with market transactions. If relying on an external partner creates excessive coordination, monitoring or contractual costs, a firm may prefer greater internal control.

This explains why multinational organisations may choose wholly owned subsidiaries or acquisitions when protecting proprietary knowledge and maintaining control is particularly important.

6.3 Institutional Theory

Institutional Theory highlights differences between countries' formal and informal institutions. These include laws, regulations, political systems, social expectations, cultural norms and business practices.

For McDonald's, understanding local institutions is essential because food regulations, employment laws, religious expectations and consumer preferences differ across countries.

6.4 Resource-Based View

The Resource-Based View suggests that firms gain competitive advantage from valuable, rare and difficult-to-replicate resources and capabilities. McDonald's major resources include its global brand, operational expertise, supply-chain system, franchise network and marketing capabilities.

These resources can be transferred internationally while still being adapted to local market conditions.

6.5 Dunning's Eclectic Paradigm

Dunning's OLI framework explains international expansion through Ownership advantages, Location advantages and Internalisation advantages.

Ownership advantages include brand, technology, management expertise and intellectual property. Location advantages include market size, labour availability, infrastructure and consumer demand. Internalisation advantages relate to the benefits of controlling activities internally rather than relying completely on external markets.

The framework therefore helps explain why multinational companies choose particular countries and particular levels of ownership.

7. Challenges of Global Expansion

7.1 Cultural Differences

Cultural differences represent one of the biggest challenges for multinational organisations. Consumer preferences regarding food, communication, religion, family, gender roles and lifestyle can vary significantly. A product that is successful in one country may not necessarily succeed in another. Therefore, international companies need cultural intelligence and market research.

7.2 Political Risk

Political instability can affect international business through changes in taxation, trade restrictions, nationalisation, political conflict, import restrictions and changes in government policy. Companies must therefore conduct political-risk assessments before entering markets.

7.3 Regulatory Barriers

Every country has its own legal and regulatory environment. Businesses may need to comply with employment regulations, food-safety laws, consumer-protection requirements, tax legislation, environmental requirements and data-protection regulations. Failure to comply can result in financial penalties and reputational damage.

7.4 Economic Uncertainty

Inflation, exchange-rate volatility, interest rates and economic recessions can affect international profitability. Currency depreciation can increase the cost of imported inputs while reducing the value of profits when converted into the parent company's currency. Multinational companies therefore need financial-risk management and diversified operations.

8. Global Integration versus Local Responsiveness

A major strategic challenge is determining how much a multinational organisation should standardise its operations and how much it should adapt. A global strategy emphasises standardisation and efficiency, while a multidomestic strategy gives greater importance to local responsiveness. A transnational strategy attempts to achieve both global integration and local responsiveness.

McDonald's illustrates this balance effectively. The organisation maintains recognisable branding, consistent service principles, standard operating procedures and global quality expectations. At the same time, it can adapt menu items, advertising, pricing, restaurant formats and marketing communication. This combination allows the organisation to maintain its international identity while remaining relevant to local consumers.

9. Discussion

The analysis demonstrates that globalisation creates both opportunities and risks. The major advantage is access to larger markets. A company that successfully

expands internationally can increase sales, diversify revenue and strengthen its competitive position.

However, international expansion is not simply a matter of transferring a domestic business model into another country. Successful internationalisation requires organisations to understand local markets.

The literature shows that entry-mode decisions are influenced by multiple factors rather than one single theory. This is important because different markets present different combinations of risk, cultural distance, institutional conditions, market attractiveness, resource requirements and competition.

Consequently, multinational organisations should avoid adopting an identical internationalisation strategy for every market. McDonald's demonstrates the value of this approach through its combination of a globally recognisable business model and local market adaptation.

10. Strategic Recommendations

10.1 Strengthen Digital Internationalisation

Multinational organisations should continue investing in mobile applications, digital ordering, artificial intelligence, personalised marketing, data analytics and

delivery platforms. Digitalisation can reduce barriers to international customer engagement and create new forms of international market presence.

10.2 Increase Local Market Research

Before entering a new country, businesses should conduct detailed research into culture, consumer behaviour, income, competition, political environment, regulations and infrastructure. This can reduce market-entry failure.

10.3 Use Flexible Entry Modes

Companies should not automatically use one entry strategy everywhere. A low-risk approach such as franchising may be appropriate in one market, whereas FDI or a wholly owned subsidiary may be more appropriate in another. Entry-mode choice should therefore be based on the specific characteristics of each market.

10.4 Strengthen Risk Management

Multinational companies should develop comprehensive risk-management systems covering political risk, currency risk, supply-chain disruption, regulatory changes, cybersecurity and economic volatility. Scenario planning can help organisations prepare for unexpected changes.

10.5 Balance Global Brand Identity with Local Adaptation

Organisations should protect their core brand identity while allowing sufficient flexibility for local markets. This can improve customer acceptance without sacrificing global economies of scale.

10.6 Develop Sustainable International Growth

International expansion should consider environmental and social responsibilities. Companies should focus on sustainable packaging, responsible sourcing, energy efficiency, waste reduction, ethical employment and sustainable supply chains. Sustainability can increasingly become a source of competitive advantage rather than simply a compliance requirement.

11. Conclusion

Globalisation has fundamentally changed the international business environment. Technology, trade liberalisation, economic integration and changing consumer behaviour have created significant opportunities for multinational organisations to expand beyond domestic markets.

However, globalisation also creates challenges. Political risk, cultural differences, regulatory barriers, economic uncertainty and intense international competition can reduce the likelihood of successful expansion.

The analysis of McDonald's demonstrates that successful internationalisation requires a careful balance between global integration and local responsiveness. Standardisation can generate economies of scale and maintain brand consistency, while adaptation allows businesses to respond to local consumer expectations.

Internationalisation theories such as the Uppsala Model, Transaction Cost Theory, Institutional Theory, Resource-Based View and Dunning's Eclectic Paradigm

provide useful perspectives for understanding foreign-market decisions. However, no single theory completely explains the complexity of international business. A combination of theoretical perspectives provides a stronger basis for strategic decision-making.

The most effective international strategy is therefore flexible and evidence-based. Organisations should assess each market individually, select an appropriate entry mode, develop strong risk-management systems and invest in technology and sustainable practices.

Ultimately, global competitiveness does not simply depend on operating in many countries. It depends on an organisation's ability to transfer its competitive advantages internationally while understanding and responding effectively to the unique characteristics of each market.

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Appendices

Appendix A: International Market-Entry Strategy Comparison

Entry Mode	Investment	Control	Main Risk
Exporting	Low	Low	Trade barriers/logistics
Licensing	Low	Low–Medium IP/control	
Franchising	Low–Medium	Medium	Quality/reputation
Joint Venture	Medium	Shared	Partner conflict
Strategic Alliance	Variable	Shared	Coordination
Wholly Owned Subsidiary	High	High	Financial/political
FDI	High	High	Economic/political

