

# The international economy unit 3 individual project creative writing sample

[Business](#), [Company](#)



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### Abstract

International business has gained popularity recently as it helps companies to expand their business and generate greater profits. The objective of this paper is to analyse a company's global operations and its competencies. It also analyses impact of economic and political policies, use of technology and globalisation on firm's performance. McDonald's has been selected as a company for this analysis. The paper analyses the use of comparative advantage, economies of scale and differentiation strategy by the company to gain competitive advantage. It also discusses the impact of economic like trade restrictions and labour laws, and political policies like health and environmental concerns on the company. The role of technology and globalisation in business expansion is also factored in the analysis.

Keywords: International business, core competence, globalisation, comparative advantage, economies of scale, operation, efficiency

## **The International Economy**

### Introduction

Access to international economy is important for organisations as it helps them expand their businesses and take advantage of their competencies and productive resources to establish themselves globally. The objective of this paper is to analyse a company's global operations, identify the economic concepts that apply to the firm and how it is used to address a firm's

problems and opportunities. The paper also attempts to understand the impact of economic and political policies on the company's operations, its use of strategic advantages and impact of globalisation on the firm. This analysis will help in getting an overview of a company's exposure to international business and related opportunities and threats for the company. The company selected from this analysis is McDonald's.

## **McDonald's Outside the United States**

McDonald's is the global leader in fast food retailing with more than 33000 local outlets serving nearly 68 million people in 119 countries each day (McDonald's, 2012). The first McDonald's store outside the United States was opened in British Columbia in 1967 (Franchisedirect. com, 2012). The number of retail outlets and the company's global presence has been increasing since then. The company has a strong brand presence across the world. Even outside the United States, the fast food products of the firm are popular for their reasonable pricing, uniform taste, quality and speed of delivery. While maintaining uniformity, the company also adds a localised flavour to its products that help attract the consumers. The retail outlets of the firm are run through franchisees or self-operated. McDonald's commitment to standards and focus on maintaining consistency in product and service quality, even outside the United States, contributed the huge global success of this giant fast food chain.

## **Economic Concepts and Opportunities**

The success of McDonald's can be attributed to its adoption of comparative advantage, economies of scale and differentiation strategies.

Comparative advantage can be defined as capability of a firm to produce and deliver a particular economic good or service more efficiently than others.

McDonald's is a classic example of a firm that delivers fast food to consumers more efficiently than competitors. The chief components of comparative advantage for McDonald's are improving operational efficiencies, strong focus on employee and customer relation, and a huge franchisee and supplier network. These components have enabled the corporation in delivering better service to customers in terms of customer engagement, quick delivery, quality and uniformity. Service is the most important element of a fast food joint and McDonald's scores perfectly in this.

McDonald's has been able to reduce its per-unit production cost through economies of scale. Economies of scale has also helped in effective inventory and logistics management and ensuring quality and timeliness of input supply, through better negotiating power and value chain integration. Thus, adoption of economies of scale has provided an opportunity to maintain quality and deliver timely at affordable prices.

Differentiation through innovation is a tool used by McDonald's to gain competitive edge. Operational innovations like outsourcing order tracking and just-in-time system helps the corporation achieve a monopoly situation by increasing production efficiencies that helps in further lowering of costs. The corporation constantly strives at launching innovative products and variants based on changing lifestyle, attitudes and demand of the consumer, like launch of healthy meal line of products.

Thus, the corporation converts the delivery problems associated with a fast food joint to opportunities and its core-competencies.

## **Impact of Economic and Political Policies**

### **Impact of Economic Policies**

High tariffs and trade restrictions are the most important economy policy barrier for McDonald's. A country's on economic stabilization and labour laws also govern the success of McDonald's corporation. The adoption of a franchisee model who owns the McDonald's outlet is an effective model to avoid the trade barriers in developing countries. Through a franchisee model, McDonald's earns royalty on sales from use of its brand name. McDonald's, by virtue of its size, helps boost national economies and reduce unemployment. Considering the increased focus on labour laws, McDonald's has created a model for managing labour that has been well accepted and adopted by other firms.

### **Impact of Political Policies**

McDonald's is being an obvious target for the increasing health consciousness and environmental concern among people and policy makers. Some countries are also calling for banning use of trans-fat and controlling the use of salt in fast food products. The United Kingdom has made one such attempt by asking this fast food corporation to take part in formulating the countries Health policies against obesity and other diet related diseases (Lawrence, 2010). McDonald's has responded to these concerns by launching a line healthy fast food product. Environmentalists have condemned the use of Styrofoam cups and unfriendly packaging material at McDonald's (Pundit,

2008). The corporation is displaying an increased focus on environment and has won Leadership in Energy and Environment Design gold certificate (McDonald's, 2012). EU consumers had banned boycotted use of McDonald's products in protest of Iraq war. In response, McDonald's changed its communication strategy claiming that McDonald's outlets are owned by local franchisees.

### **Use of Technology for Strategic Advantage**

McDonald's has constantly endeavoured to adopt latest technology in order to achieve strategic advantage against competitors. It uses latest technology in various functions of its business, ranging from food technology and operations to customer service. It used improved technology to ensure that food is well preserved. To maintain consistency in food products, it relies on contract farming. Use of technology in operations include adoption of total quality management, lean management, push system of demand estimation, improved cold storages, advanced cashless technology for payments and outsourcing order tracking system. Efficient communication and information infrastructure, mobile ordering and network consolidation helps achieve the customer satisfaction.

### **Impact of Globalisation**

The increased trade liberalisation and globalisation has increased the financial opportunities of McDonald's. Liberalisation allows overseas investment and financing and can serve as an instrument for speedy growth. Rising number of outlets and cross-border dissemination of culture has helped the corporation gain local acceptability and attract more consumers.

It has increasingly been associated with urbanism and modernism, often referred to as globalisation of the culture of fast food. Overall, it has helped McDonald's trigger its growth and expansion overseas, especially in the developing countries. However, there are social, cultural, language and political barriers that needs to be taken care of. Threat of competition also increases with globalisation.

## **Conclusion**

Exposure to foreign markets helps companies expand their overseas businesses by taking advantage of their core competencies. McDonald's is a classic example of a business that has made its presence globally. The company's success can be attributed to its comparative advantage, economies of scale and differentiation strategy. However, a variety of economic and political policies also impact the company. Trade restrictions and labour laws are economic policies, and health and environmental policies are political policies that affect the company. McDonald's adopts advanced technology in food, operations and customer service to gain strategic advantage. Globalisation has helped the fast food giant in gaining consumer acceptability and financial opportunities. However, social and political barriers do exist, which the company needs to take care of.

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