

Forces in international business

Business



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Introduction

McDonald's is a corporation from the United States that has done a great deal of business internationally for many years, and is well-known globally. McDonald's is listed at number 378 on Fortune's Global 500 list, and brought in over \$22 billion in revenues in 2010. Sociocultural Forces Sociocultural forces include the different aspects of understanding that exist in one culture in comparison to another. These aspects include aesthetics, religion, language, education, etc.

It is important to remember that culture is not something that is innate to specific persons, but is rather something that is learned through experiencing the culture. Along those lines, culture is also shared between all of the members of the culture, and all aspects of it are interrelated. In fact, group boundaries are caused by culture and set persons feeling towards different actions. The concept that one's own culture is better than another is called ethnocentrism.

Natural Resources and Environmental Sustainability

The second force encompasses natural resources and environmental sustainability. Natural resources are based upon location within the world and advantages that these resources give a nation relative to the rest of the world. Some of these resources are limited, and over time if taken into account can become depleted or cause harm to the environment in another way. The concern for the sustainability of these resources should be of some concern to businesses operating internationally because it affects their decisions and the decisions of those they are negotiating with as well.

Economic and Socioeconomic Forces

Economic and socioeconomic forces also play parts as forces that affect different countries. The economic forces include different levels of economic development; including developed, developing, and newly industrialized countries/economies. Socioeconomics affect the economies of different countries and regions individually based on their own social norms. Power levels can be defined by the strength of the economy that either a country or a business has as well.

This concept is also intertwined with the concept of exchange rates. Political Forces Political forces affect countries and businesses as well. Some political forces include nationalism, national or international conflicts, international organizations, and types of governments such as: communism, socialism, and capitalism. Whether a country is conservative or liberal can also play a part in the politics of a region. Political forces spill into the international legal system too which makes them of great concern to businesses.

A major part of political forces in regards to business is trade restrictions or tariffs which cost the business more money to export or boycott their business altogether. Intellectual Property and Other Legal Forces International business can be influenced by concepts of intellectual property and other legal forces as well. One major legal force that can influence a business's decisions is international law. International law is divided into both public and private laws. Public international law revolves around relations between governments including the rights and obligations of sovereign nations.

Private international law lords over the transactions made by individuals and companies in regards to international borders. Intellectual property comes

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from a person or company's intellect, and these ideas are protected by laws which include the use of patents, trademarks, copyrights, and trade secrets. Financial Forces and the International Monetary System Financial forces including the international monetary system which contains financial institutions, agreements, rules, and processes play a major part in the decisions that businesses make in regards to international markets.

The value of a country's currency as well as the exchange rates relative to either their floating currency or their being on the gold standard is a huge factor to consider as a business negotiating across borders. Most businesses will hedge their investments in order to protect themselves from losing money due to constantly changing rates of exchange. Labor Forces Finally, the seventh force affecting international business has to do with labor. Classifications such as size and average age of a workforce, as well as unemployment rates, all affect the manner in which an international business reacts to its current and potential workforce. A major issue making its mark on the global economy right now is brain drain, which causes the skilled workers of a developing country to migrate for greater professional and economic reasons. All of these forces must be taken into account when involved internationally as business. McDonald's Cultural Forces In the book *Golden Arches East*, the author discusses how when McDonald's moved their business into the Far East, they were forced to reevaluate the culture there.

In Japan especially, the idea that America exists in a class of its own is a type of fantasy that prevails in the fondest thoughts of those who consider it. For Japan, McDonald's is a symbol of this fantastic culture, and brings in many customers because of this (especially from the younger population). “ From

the perspective of the ‘civilizing process’ McDonald’s...[has]...helped to create an entirely new concept of manners. ” (p. 181) says Watson (1997). Through the introduction of fast food into the culture, McDonald’s has introduced an entirely new concept of manners to this culture.

The book also discusses how the high amount of rice in the diet there also affected their business decisions. Watson (1997) states, “‘McDonald’s’ has gained ample recognition among Japanese consumers. However, our image is that of a light-meal restaurant for young people. We are not regarded as a place for adults to have dinner. ” (p. 164) McDonald’s is not a fast-food restaurant there as it is in the US, but rather a trendy place to get a snack. McDonald’s and the Environment McDonald’s Economic Forces

Wages paid to citizens of European countries have a high ratio of variability, and therefore McDonald’s had to adjust their pricing and payment strategies when they entered the European market. (Royle, 2000, p. 158). Royle states, “[U]nions [in Germany] had to accept the possibility of even lower wage” (p. 158). In addition, executives in many European countries were hired for just a “fistful of dollars” (Royle, 2000, p. 165). The pricing systems for their menus had to be adjusted based on the expectations that the economy had for them as well.

This caused a serious change which McDonald’s had to adjust to in order to achieve success in this new environment (Royle, 2000, p. 167-169). McDonald’s Political Forces Politics also holds a great deal of power over wages paid in each country McDonald’s moves its business into. Royle talks about different wages that are required by governments in European countries, “...for example, in addition to the basic Danish kroner per hour, <https://assignbuster.com/forces-in-international-business/>

workers receive an additional Dkr 9.15 per hour for any hours worked during Monday to Friday between 6:00 p. m. and midnight” (p. 163). There are several other stipulations on payment that are made by law that Royle lists throughout the rest of the chapter. In addition, McDonald’s is constantly under fire from several interest groups who are trying to make sure that McDonald’s uses humanely raised and slaughtered animals from suppliers that have shown concern about this. This is another political pressure that concerns McDonald’s as they attempt to meet the cultural standards for the ethical treatment of animals.

McDonald’s Legal Forces McDonald’s Financial Forces

McDonald’s Labor Forces McDonald’s has a massive workforce worldwide which it uses to expand and maintain its numerous international ventures. Hamburger University is a training program used specifically to train new leaders for the McDonald’s workforce. At a location in Shanghai, China, admission is a competitive opportunity. “[M]ore than 26 percent of China’s 6.3 million college graduates were unemployed as of July 1” (Wei, 2011), this means that McDonald’s is able to choose who they want to apprentice at Hamburger University.

References

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